

**FIRST MORTGAGE INVESTMENTS**  
ARSN 089 600 920

ANNUAL FINANCIAL REPORT  
30 JUNE 2023

*This is annexure A of 36 pages referred to in form 388 "Copy of financial statements and reports"*



Director

15/9/2023

Date

**FIRST MORTGAGE INVESTMENTS  
ARSN 089 600 920**

**RESPONSIBLE ENTITY'S REPORT**

The directors of First Mortgage Managed Investments Limited ('the Responsible Entity'), the Responsible Entity of First Mortgage Investments ('the Scheme'), present their report together with the financial report of the Scheme, for the year ended 30 June 2023 and the auditor's report thereon.

**Responsible Entity**

The registered office and principal place of business of the Responsible Entity and the Scheme is 11 West Street, Burleigh Heads, and Queensland.

First Mortgage Managed Investments Limited (ABN 39 089 507 899) has been the Responsible Entity of the Scheme since 15 September 1999.

The directors of First Mortgage Managed Investments Limited during or since the end of the financial year are:

<b>Name, qualifications and independence status</b>	<b>Age</b>	<b>Experience, responsibilities and other directorships</b>
Michael Boyce	61	Michael Boyce has over 30 years' experience in operating and managing the provision of mortgage finance. Michael is also a solicitor of the Supreme Court of Queensland and New South Wales and has completed his Diploma of Mortgage Lending. His main responsibilities are specialist knowledge in the administration and management of the fund.
Karen Scott	52	Karen Scott has over 20 years of experience in the mortgage industry. Karen's involvement is predominantly with investing clients and investor portfolios. Karen has completed a Diploma of Mortgage Lending with the Securities Institute of Australia.
Megan Boyce	32	Megan commenced employment with the Manager, First Mortgage Investments Pty Ltd, in 2011 and holds a Bachelor of Business degree. Megan has also completed a Certificate IV in Financial Services and a Diploma of Finance Mortgage Broking Management. Megan's responsibilities include all aspects of pre-settlement requirements and assisting with risk management analysis.

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**RESPONSIBLE ENTITY'S REPORT**

**Principal activities**

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

The investment activities of the Scheme continued to be in accordance with the investment policy of the Scheme as outlined in the current product disclosure statement which was amended during the financial year and is dated 15<sup>th</sup> September 2021.

The Scheme is a contributory mortgage investment scheme investing in first mortgages over freehold property in Australia. It is designed to allow investors to select individual investments from a range of approved mortgage products at agreed terms and at agreed rates of interest.

The Scheme did not have any employees during the year.

**Review and result of operations**

The Scheme's net income from operations before financing costs for the current year was \$6,781,601 (2022: \$5,961,653)

***Distributions***

The rate of distribution paid to each investor is set at the time of entering into the mortgage investment. The distribution rates ranged from 6.00% to 6.75% per annum (2022: 6.00% to 6.75%).

Distributions paid or payable by the Scheme since the end of the previous financial year were \$6,781,601 (2022: \$5,961,653).

**Investors Funds – liability**

The Scheme received \$40,566,792 of investor funds during the financial year (2022: \$19,610,999) while \$13,702,000 was withdrawn (2022: \$24,557,000), resulting in a balance of investors' funds of \$116,497,000 as at 30 June 2023 (2022: \$89,632,208).

The Scheme had total assets valued at \$119,060,251 as at 30 June 2023 (2022: \$92,009,835). The basis for measurement of the Scheme's assets is disclosed in Note 2 to the financial statements.

As the Scheme is a contributory mortgage scheme, the liability to investors by the Scheme is limited to the extent of their interest in specific mortgage loans and receivables, which have been included as assets of the Scheme.

**FIRST MORTGAGE INVESTMENTS  
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**RESPONSIBLE ENTITY'S REPORT**

**Likely developments**

The Scheme will continue to pursue its policy of increasing returns through active investment selection.

**Environmental Regulation**

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

**Events subsequent to balance date**

There has not arisen in the interval between the end of the financial year and the date of this report 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.

**Interests of the Responsible Entity**

The following fees were paid by the Scheme to the Responsible Entity and its associates during the financial year:

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
■ Management fees for the year, paid and payable to First Mortgage Investments Pty Ltd by the Scheme under the terms of the Service Agreement between that company and the Responsible Entity, net of reduction or increment in management fee to offset impairment losses or reversal of impairment. For the years ended 30 June 2023 and 30 June 2022, there was no adjustment to the management fee.	5,759,965	6,940,807

Management fees are utilised by First Mortgage Investments Pty Ltd to pay for services provided to the Scheme as follows:

- accounting and audit services;
- corporate lawyer's services;
- loan recovery expenses;
- insurance premiums;
- licences and registrations;
- general office expenses; and
- promotion and marketing.

Associates of the Responsible Entity had \$36,706,600 (2022: \$12,019,600) invested in the Scheme at year-end on normal terms and conditions. Refer to note 12 for further details.

**FIRST MORTGAGE INVESTMENTS  
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**RESPONSIBLE ENTITY'S REPORT**

**Economic Factors**

Australian interest rates have increased since May 2022 and while this has placed pressure on borrowing costs for property owners, there has been continued demand for credit as buyers and property owners refinance or purchase property across Australia. While the development and construction industry has been impacted by the increased labour costs, supply chain constraints and slowing new build applications resulting in an increased volume of development businesses collapsing, the Australian property market has remained relatively resilient. These events have also had somewhat of a low impact on the unemployment levels across the country, that continues to remain at historic low levels, which are a key factor to consider in the availability of credit in the Australian market. We manage any anticipated downward pressure on property valuations into 2024 within our loan book, by monitoring the average LVR's across the Fund, and limiting exposure to development and construction backed loans.

The Directors draw attention to Note 8 which outlines the expected credit loss provisions against mortgage loans and interest receivable as at 30 June 2023. The Directors further draw your attention to Note 11 which outlines the associated liquidity impact at 30 June 2023.

**Significant changes in the state of affairs**

In the opinion of the Responsible Entity, other than the economic factors outlined above, there were no significant changes in the state of affairs of the Fund that occurred during the financial year.

**Indemnities and insurance premiums for Officers or Auditors**

*Indemnification*

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 does not provide any indemnity to the auditor of the Scheme.

*Insurance premiums*

No insurance premiums are paid out of the Scheme's assets in relation to insurance cover for the Responsible Entity, its officers and employees, the Compliance Committee or the auditors of the Scheme.

**Lead auditor's independence declaration under Section 307C of the Corporations Act 2001**

The lead auditor's independence declaration is set out on page 5 and forms part of the Responsible Entity's report for the year ended 30 June 2023.

Signed in accordance with a resolution of the directors of First Mortgage Managed Investments Limited.



Karen Scott  
Director

Burleigh Heads  
Date: 15 September 2023



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

To: the directors of First Mortgage Managed Investments Limited, the Responsible Entity of First Mortgage Investments.

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2023 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'Adam Twemlow', written over a faint, light blue circular stamp or watermark.

Adam Twemlow  
Partner

Burleigh Heads  
15 September 2023

**FIRST MORTGAGE INVESTMENTS  
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**STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2023**

	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
Cash and cash equivalents	7a	1,875,739	1,614,362
Interest receivable	8	1,332,146	1,398,107
Mortgage loans	8	<u>115,852,366</u>	<u>88,997,366</u>
<b>Total assets</b>		<b>119,060,251</b>	<b>92,009,835</b>
<b>Liabilities</b>			
Distribution payable	9	303,893	224,022
Manager fees payable	10	461,068	607,634
Mortgage bonds		1,175,481	851,335
Other payables		220,146	255,862
Interest received in advance		<u>402,663</u>	<u>438,774</u>
<b>Total liabilities (excluding net assets attributable to investors)</b>		<b><u>2,563,251</u></b>	<b><u>2,377,627</u></b>
<b>Net assets attributable to investors - Liability</b>	4	<b><u>116,497,000</u></b>	<b><u>89,632,208</u></b>
<b>Net assets</b>		<b><u>-</u></b>	<b><u>-</u></b>
<b>Equity</b>		<b><u>-</u></b>	<b><u>-</u></b>

*The accompanying notes are an integral part of these financial statements*

**FIRST MORTGAGE INVESTMENTS  
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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 30 JUNE 2023**

	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>			
Interest income – mortgage loans	5	12,535,205	12,920,375
Interest income – bank	5	23,342	1,181
Net investment income		<u>12,558,547</u>	<u>12,921,556</u>
<b>Expenses</b>			
Management fees	10	5,759,965	6,940,807
Other expenses		16,981	19,096
Expected credit losses	8,10	-	-
Operating expenses before financing costs		<u>5,776,946</u>	<u>6,959,903</u>
<b>Operating profit before finance costs</b>		<u>6,781,601</u>	<u>5,961,653</u>
<b>Finance costs</b>			
Distribution expense to investors	9	<u>6,781,601</u>	<u>5,961,653</u>
<b>Net profit</b>		<u>-</u>	<u>-</u>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<u>-</u>	<u>-</u>

*The accompanying notes are an integral part of these financial statements*



**FIRST MORTGAGE INVESTMENTS  
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**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 30 JUNE 2023**

The Scheme's net assets attributable to investors are classified as a liability under AASB 132 Financial Instruments: Presentation. As the Scheme has no equity, there are no items included in the Statement of Changes in Equity for the current or comparative year.

*The accompanying notes are an integral part of these financial statements*

**FIRST MORTGAGE INVESTMENTS  
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**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 30 JUNE 2023**

	Note	2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Interest received		12,912,542	11,716,964
Operating expenses paid		(16,981)	(17,915)
Management fee paid		(5,942,247)	(6,703,962)
Distributions paid		<u>(6,701,730)</u>	<u>(5,958,891)</u>
Net cash provided /(used) in operating activities	7(b)	251,584	(963,804)
<b>Cash flows from investing activities</b>			
Mortgage loans made		(67,561,000)	(50,923,000)
Mortgage loans repaid		<u>40,706,000</u>	<u>55,997,000</u>
Net cash (used in)/ provided by investing activities		(26,855,000)	5,074,000
<b>Cash flow from financing activities</b>			
Proceeds from receipt of investor applications		40,566,792	19,610,999
Payments on redemption of investor funds		<u>(13,702,000)</u>	<u>(24,557,000)</u>
Net cash provided / (used in) by investors' activities		26,864,792	(4,946,001)
Net increase/ (decrease) in cash and cash equivalents		261,376	(835,805)
Cash and cash equivalents at 1 July		<u>1,614,362</u>	<u>2,450,167</u>
Cash and cash equivalents at 30 June	7(a)	<u>1,875,739</u>	<u>1,614,362</u>

*The accompanying notes are an integral part of these financial statements*

**FIRST MORTGAGE INVESTMENTS  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**1. REPORTING ENTITY**

First Mortgage Investments (the 'Scheme' or the 'Fund') is a registered managed investment scheme under the *Corporations Act 2001*. The financial report of the Scheme is for the year ended 30 June 2023.

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The financial report of the Scheme also complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors of the Responsible Entity on 15 September 2023.

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis.

**(c) Functional and presentation currency**

These financial statements are presented in Australian dollars, which is the Scheme's functional currency.

**(d) Use of estimates and judgements**

The preparation of financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Notes 8 & 11 – Expected credit losses

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The Scheme has not early adopted any accounting standards.

**(a) Financial instruments**

*(i) Classification of financial assets*

On initial recognition, the Scheme classified financial assets are measured at amortised cost or fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

All other financial assets of the Scheme are measured at FVTPL.

*Business model assessment*

In making an assessment of the objective of the business model in which a financial asset is held, the Scheme considers all of the relevant information about how the business is managed, including:

- The documented investment strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintain a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of assets;
- How the performance of the portfolio is evaluated and reported to the Scheme's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

*Assessment whether contractual cash flows are SPPI*

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Scheme considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Scheme considers:

- Contingent events that would change the amount or timing of cash flows;
- Leverage features;
- Prepayment and extension features;
- Terms that limit the Scheme's claim to cash flows from specialised assets; and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**(a) Financial instruments (cont.)**

***(i) Classification of financial assets (cont.)***

***Reclassifications***

Financial assets are not reclassified subsequent to their initial recognition unless the Scheme were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in business model.

***(ii) Subsequent measurement of financial assets***

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest income is recognised in interest income calculated using the effective interest method, and impairment is recognised expected credit losses in the statement of comprehensive income. Any gain or loss on derecognition is also recognised in profit or loss.

Cash and cash equivalents and mortgaged loans are included in this category.

***(iii) Financial liabilities – Classification, subsequent measurement and gains and losses***

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measures at amortised cost using the effective interest method. Interest expense and foreign gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial liabilities at amortised cost includes distributions payable, manager fees payable, mortgage bonds and other payables.

***(iv) Amortised cost measurement***

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

***(v) Impairment***

The Scheme recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Scheme measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**(a) Financial instruments (cont.)**

**(v) Impairment (cont.)**

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Scheme considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Scheme's historical experience and informed credit assessment and including forward-looking information.

The Scheme considers that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Scheme considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Scheme in full, without recourse by the Scheme to actions such as realising security; or
- The financial asset is past due on the terms of the mortgaged loan arrangement.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Scheme is exposed to credit risk.

*Measurement of ECLs*

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 Scheme expects to receive).

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

*Credit-impaired financial assets*

At each reporting date, the Scheme assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower; or
- It is probable that the borrower will enter bankruptcy or other financial recognition.

*Presentation of allowance for ECLs in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

*Write-off*

The gross carrying amount of a financial asset is written off when the Scheme has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**(a) Financial instruments (cont.)**

***(vi) Derecognition***

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or the Scheme transfers the rights to receive the contractual cash flows in a transaction in substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Scheme neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Scheme is recognised as a separate asset or liability.

The Scheme enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all of the risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

The Scheme derecognised a financial liability when its contractual obligations are discharged or cancelled, or expire.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liability assumed) is recognised in profit or loss.

The Scheme derecognises a derivative only when it meets the derecognition criteria for both financial assets and financial liabilities. Where the payment or receipt of variation margin represents settlement of a derivative, the derivative, or the settled portion, is derecognised.

***(vii) Offsetting***

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

***(viii) Specific instruments***

***Cash and cash equivalents***

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investments or other purposes.

**FIRST MORTGAGE INVESTMENTS  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**(b) Interest income**

Interest income is recognised in the income statement as it accrues, using the original effective interest rate of financial assets carried at amortised cost, calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Interest income is recognised on a gross basis, including withholding tax, if any.

**(c) Distribution income**

Income distributions from other managed investment schemes are recognised in the income statement as interest income when declared.

**(d) Expenses**

All expenses, including management fees, are recognised in the income statement on an accrual basis when the related services are received.

**(e) Distribution and taxation**

Under current legislation, the Scheme is not subject to income tax as the taxable income (including assessable realised capital gains) is distributed in full to the investors. The Scheme fully distributes its distributable income, calculated in accordance with the Scheme constitution and applicable taxation legislation, to the investors who are presently entitled to the income under the constitution.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised that portion of the gain that is subject to capital gains tax will be distributed so that the Scheme is not subject to capital gains tax.

Realised capital losses are not distributed to unit-holders but are retained in the Scheme to be offset against any future realised capital gains. If realised capital gains exceeds realised capital losses the excess is distributed to the investors.



**FIRST MORTGAGE INVESTMENTS  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**(f) Redeemable units**

All redeemable units issued by the Scheme provide the investors with the right to require redemption for cash and give rise to a financial liability. In accordance with the Product Disclosure Statement the Scheme is contractually obliged to redeem units at redemption price, subject to realisation of the specific underlying security of the mortgaged loans for which units are invested in, as outlined in the Supplementary Product Disclosure Statement.

**(g) Finance costs**

Distributions paid and payable on investor funds are recognised in the income statement as finance costs and as a liability where not paid. Distributions paid are included in cash flows from operating activities in the statement of cash flows.

**(h) Goods and services tax**

Management fees and other expenses are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO) as reduced input tax credit (RITC).

Payables are stated with the amount of GST included.

The net amount of GST recoverable/payable from the ATO is included in receivables/payables in the statement of financial position.

Cash flows are included in the statement of cash flow on a gross basis.

**(i) Accounting estimates and judgements**

The directors of the Responsible Entity have discussed with management the development, selection and disclosure of the Scheme's critical accounting policies and estimates and the application of these policies and estimates. Refer to Note 2(d).

**(j) Change in net assets attributable to investors**

Non-distributable income, which may comprise, tax deferred income, accrued income not yet assessable and non-deductible expenses are reflected in the profit and loss as change in net assets attributable to investors.

These items are included in the determination of distributable income in the period for which they are assessable for taxation purposes.

**FIRST MORTGAGE INVESTMENTS  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**(k) New standards and interpretations not yet adopted**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2022, none of which have been applied in preparing these financial statements as they are not considered relevant to the Fund.

**(l) Unit price**

The unit price is based on unit price accounting outlined in the Scheme's Constitution and Product Disclosure Statement.

All redeemable units issued by the Scheme provide the investors with the right to require redemption for cash and give rise to a financial liability. In accordance with the Product Disclosure Statement the Scheme is contractually obliged to redeem units at redemption price, subject to realisation of the specific underlying security of the mortgaged loans for which units are invested in, as outlined in the Supplementary Product Disclosure Statement.

**FIRST MORTGAGE INVESTMENTS  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**4. NET ASSETS ATTRIBUTABLE TO INVESTORS - LIABILITY**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Opening balance	89,632,208	94,578,209
Applications	40,566,792	19,610,999
Redemptions	<u>(13,702,000)</u>	<u>(24,557,000)</u>
Closing balance	<u>116,497,000</u>	<u>89,632,208</u>

The Scheme considers its capital to be Investor Funds. The Scheme manages its net assets attributable to investors as capital, notwithstanding net assets attributable to investors are classified as a liability.

All units within each investment of the Scheme are of the same class and carry equal rights.

As the Scheme is a contributory mortgage scheme, the liability to investors by the Scheme is limited to the extent of their interest in specific mortgage loans and receivables, which have been included as assets of the Scheme.

Refer to Note 11 for Liquidity risk.

**5. REVENUE**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Interest income arises from:		
Cash and cash equivalents	23,342	1,181
Mortgage loans	<u>12,535,205</u>	<u>12,920,375</u>
	<u>12,558,547</u>	<u>12,921,556</u>

The interest rate for cash and cash equivalents at 30 June 2023 was 1.24 % (2022: 0.07%).

The weighted average interest rate for mortgage loans at 30 June 2023 was 10.40% (2022: 10.55%).

**FIRST MORTGAGE INVESTMENTS  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**6. AUDITOR'S REMUNERATION**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Audit fees paid by a related entity of the Responsible Entity on behalf of the Scheme:		
<b>Audit services</b>		
Audit and review of the financial report	69,000	64,300
Other regulatory audit services	8,700	8,500
	<u>77,700</u>	<u>72,800</u>
<b>Other services</b>		
Other fees paid by a related entity of the Responsible Entity on behalf of the Scheme:		
Other services	<u>16,550</u>	<u>15,500</u>

**7a. CASH AND CASH EQUIVALENTS**

Current balances with banks	<u>1,875,739</u>	<u>1,614,362</u>
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**7b. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES**

Profit from ordinary activities	-	-
Adjustments for:		
Impairment losses on mortgage loans	-	-
Changes in operating assets and liabilities:		
Interest and other receivables	65,961	(325,197)
Payables and other liabilities	185,624	(638,607)
Cash inflows /(outflows) from operating activities	<u>251,585</u>	<u>(963,804)</u>

**FIRST MORTGAGE INVESTMENTS  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**8. MORTGAGE LOANS AND INTEREST RECEIVABLE**

	<b>2023</b>	<b>2022</b>
<b>Interest receivable</b>	<b>\$</b>	<b>\$</b>
Interest receivable	1,332,146	1,398,107
Provision for expected credit losses (1)	<u>-</u>	<u>-</u>
	<u>1,332,146</u>	<u>1,398,107</u>
<b>Mortgage loans</b>		
With contractual terms:		
Maturing < 1 year	5,588,000	22,071,000
Maturing > 1 year	<u>110,909,000</u>	<u>67,571,000</u>
Mortgage loans before expected credit loss	<u>116,497,000</u>	<u>89,642,000</u>
Provision for expected credit losses*	<u>(644,634)</u>	<u>(644,634)</u>
	<u>115,852,366</u>	<u>88,997,366</u>

(1) The Scheme entered into an arrangement on 1 July 2009, which assigns certain interest receivable from current and prior periods to an entity related to the manager. For further information refer to Note 12.

\*Refer Note 10 for management fee adjustment.

The Scheme mortgage investments are secured by a registered first mortgage over real property.

At 30 June 2023 and 30 June 2022, the Responsible Entity reviewed the carrying value of interest receivable and mortgage loans of the Scheme in order to identify whether any loans or interest may be impaired.

In assessing whether mortgage loans or interest receivable are impaired, the Responsible Entity considerations included but were not limited to:

- Valuations of security properties completed by registered valuers;
- Appraisals of security properties completed by real estate agents;
- Actual sales prices realised on completed projects;
- Collateral security; and
- Estimated time to realise mortgage loans.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**8. MORTGAGE LOANS AND INTEREST RECEIVABLE (CONT.)**

***ECL***

As a result of this review, the Responsible Entity did not record any additional expected credit losses in respect of mortgage loans during the year (2022: \$ nil).

For information about the Scheme's exposure to credit risk, see Note 11.

The ECL represents estimates of expected losses based on a number of assumptions including amounts that will be received upon repayment or sale of the security property and the period until funds are returned. In the current economic conditions there is uncertainty as to the amount that could be realised on the sale of security properties, and the time it may take to achieve a sale. Accordingly, actual losses may differ from these estimates.

**9. DISTRIBUTIONS PAID AND PAYABLE**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Distributions paid	6,477,708	5,737,631
Distributions payable	<u>303,893</u>	<u>224,022</u>
	<u>6,781,601</u>	<u>5,961,652</u>

The rate of distribution paid to each investor is set at the time of entering into the mortgage investment. The distribution rates ranged from 6.00 % to 6.75% per annum (2022: 6.00% to 6.75%).

As investors are presently entitled to the distributable income of the Scheme, no income tax is payable by the Scheme.

**10. MANAGEMENT FEES**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Management fees paid and payable	<u>5,759,965</u>	<u>6,940,807</u>
	<u>5,759,965</u>	<u>6,940,807</u>

At 30 June 2023 an amount of \$461,068 (2022: \$607,634) is payable to the Manager for the year ended 30 June 2023. At year end, there has been no change to the expected credit losses recognised against the mortgage loans outstanding as outlined in Note 8. The Manager's fee, which is based on the profit of the Fund before management fees, will be varied by any change in credit losses.

During the year, the Manager has stepped in and made payments to the Scheme when a borrower has defaulted on its interest payments, with the objective to allow investor distributions to be made. The Manager will be refunded, if and when, the borrower pays its outstanding interest, or upon realisation of the underlying security. The Manager is not contractually obliged to make these payments to the Scheme.

The Scheme entered into an arrangement on 1 July 2009, which upon agreement by the Manager assigns certain interest receivable from current and prior periods to an entity related to the Manager. For further information refer to Note 12.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**11. FINANCIAL INSTRUMENTS**

The Scheme's assets principally consist of financial instruments which comprise mortgage investments and interest receivable. It holds these investment assets in accordance with Product Disclosure Statement ("PDS"). The Scheme's investment strategy per the PDS is to invest in first mortgages only over commercial, rural and residential properties, including properties which require construction or development funding.

The allocation of assets as between the various sectors described above is determined by the Responsible Entity who manages the Scheme's portfolio of assets to achieve the Scheme's investment objectives.

The scheme's investing activities expose it to the following risks:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

***Overview***

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risks. 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 of Directors is responsible for developing and monitoring the Scheme's risk management policies, including those related to its investment activities. The Responsible Entity's risk management policies are established to identify and analyse the risks faced by the Scheme, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities. The Scheme, through training, management standards and procedures, aims to develop a disciplined and constructive control environment in which all staff understand their roles and obligations.

The Board monitors compliance with the Scheme's risk management procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Scheme.

The Scheme's assets principally consist of loans secured by registered first mortgages over real property, prepaid interest income and cash investments. It holds these investment assets at the discretion of the Responsible Entity in accordance with the Scheme's constitution and Product Disclosure Statement.

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**11. FINANCIAL INSTRUMENTS (CONT.)**

*Overview (cont.)*

As the Scheme is a contributory mortgage scheme, the risk of losses from a loan are attributable directly to the investors in that loan.

*Currency risk*

The Scheme is not exposed to any currency risk as all transactions are performed in their functional currency, being Australian dollars.

*Interest rate risk*

Interest rate risk is the risk that changes in interest rates will affect the Scheme's income or the fair value of its holdings of financial instruments. Interest rate risk embodies the potential for both loss and gains. The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk is managed by the Board of the Responsible Entity who meet regularly to monitor and review interest rates.

The majority of the Scheme's financial assets and financial liabilities are interest bearing. The terms of interest-bearing financial assets and financial liabilities are generally less than 36 months. As a result, the Scheme is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash is invested in an interest-bearing deposit account with an Australian regulated banking institution.

The Scheme's overall interest rate risk is monitored on a monthly basis by the Board of Directors.

*Property value risk*

The majority of the Scheme's financial assets are secured by registered first mortgages over real property. As a result, the Scheme is subject to property value risk being fluctuations in the prevailing levels of property market values.

The Scheme's property value risk is managed on a regular basis by management in accordance with policies and procedures in place, including but not limited to the adoption of maximum initial loan to valuation ratios of 80%, with target ratios less than 70%.

In prior years, the property and financial services sectors have experienced significant adverse market conditions. Should these conditions arise again as a result of the economic pressures such as rising interest rates and inflation, this may result in a decline in property values, which should they be significant, may result in diminished security values, which may result in losses should properties held as security be realised below the loan and receivable book values.

As the Scheme is a contributory mortgage scheme, loan losses are attributable directly to the investors in a loan.



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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**11. FINANCIAL INSTRUMENTS (CONT.)**

***Operational Risk***

Operational risk is the risk of direct loss arising from a wide variety of causes associated with the Scheme's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Scheme's operations.

The objective of the Responsible Entity of the Scheme is to manage operational risk so as to balance the avoidance of financial losses and damage of the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Responsible Entity. The responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Training and professional development; and
- Risk mitigation, including insurance where this is effective.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

11. FINANCIAL INSTRUMENTS (CONT.)

*Market risk*

*Interest rate profile*

At reporting date the interest rate profile of the Scheme's interest-bearing financial instruments was:

	Carrying amount	
	2023	2022
<b>Fixed rate instruments</b>		
Financial assets	116,497,000	89,642,000
Financial liabilities	<u>(116,497,000)</u>	<u>(89,632,208)</u>
	<u>-</u>	<u>9,792</u>
	Carrying amount	
	2023	2022
<b>Variable rate instruments</b>		
Financial assets	<u>1,875,739</u>	<u>1,614,362</u>

*Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates at the balance date would have increased/(decreased) profit or loss by \$18,757 (2022: \$16,144).

*Credit risk*

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme. The Scheme has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Scheme's maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2023	2022
Mortgage loans	115,852,366	88,997,366
Cash and cash equivalents	1,875,739	1,614,362
Interest receivable	<u>1,332,146</u>	<u>1,398,107</u>
	<u>119,060,251</u>	<u>92,009,835</u>

**FIRST MORTGAGE INVESTMENTS  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**11. FINANCIAL INSTRUMENTS (CONT.)**

*Credit risk (cont.)*

*Cash and cash equivalents*

The cash and cash equivalents are held with bank and financial institution counterparties, which is NAB, based on A-1+ ratings.

*Mortgaged loans*

The Scheme's mortgage investments are secured by a registered first mortgage over real property. Credit risk for mortgage loans is mitigated by the Scheme establishing a Prudential Lending Manual which requires the Board of Directors of the Responsible Entity to obtain a valuation that must be not more than 6 months old at the time of mortgage loan approval and conduct a range of searches on both the mortgage investment and secured property. Such searches include credit reference searches, bankruptcy searches, valuation reports and insurance searches. In addition, proof of serviceability for each new mortgage investment is also obtained. The Board of Directors monitors mortgage investments on a monthly basis.

*Concentration of credit risk*

The Board of Directors review the credit concentration of mortgaged loans held based on geographic region and underlying security type.

The Scheme's exposure to credit risk for mortgage investments at reporting date by geographic region was:

	<b>Gross carrying amount</b>	
	<b>2023</b>	<b>2022</b>
Victoria	10,596,000	8,844,000
New South Wales	41,494,000	26,309,000
Queensland	58,949,000	53,239,000
Australian Capital Territory	683,000	1,250,000
South Australia	4,775,000	-
Total before impairment losses	<u>116,497,000</u>	<u>89,642,000</u>

The Scheme's exposure to credit risk for mortgage investments at the reporting date by mortgage investment type was:

	<b>Gross carrying amount</b>	
	<b>2023</b>	<b>2022</b>
Commercial	8,723,000	6,773,000
Vacant land	21,856,000	15,943,000
Residential and rural	85,918,000	66,926,000
Total before impairment losses	<u>116,497,000</u>	<u>89,642,000</u>

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**11. FINANCIAL INSTRUMENTS (CONT.)**

*Credit risk (cont.)*

There were no significant concentrations in the mortgage loan portfolio of credit risk. The Scheme has no exposure to mortgage investments that individually exceeds 3.6% (2022: 4.5%) of the total value of mortgage loans. As at 30 June 2023, there is a loan amounting to \$4,200,000 which is the largest individual balance outstanding. Management are satisfied that it is well secured.

*Amounts arising from ECL*

The amount of impairment allowance on mortgaged loans and interest receivables as at 30 June 2023 amounts to \$644,634 (2022: \$644,634).

The movement in the provision for ECLs in respect of mortgage investments during the year was as follows:

	<b>2023</b>	<b>2022</b>
	\$	\$
Balance at 1 July	644,634	644,634
Provision for expected credit losses recognised	-	-
Expected credit losses realised on loans repaid	-	-
	<hr/>	<hr/>
Balance at 30 June	<u>644,634</u>	<u>644,634</u>

In determining this, the Board of Directors reviewed the following.

The ageing of the Scheme's mortgage investments at reporting date was:

	<b>Gross carrying amount</b>	
	<b>2023</b>	<b>2022</b>
Not past due	110,909,000	67,571,000
Past due 0-30 days	475,000	2,736,000
Past due 31-120 days	3,024,000	5,190,000
Past due 121 days to one year	1,784,000	6,479,000
More than one year	305,000	7,666,000
	<hr/>	<hr/>
Total before impairment losses	<u>116,497,000</u>	<u>89,642,000</u>

The ageing of the Scheme's interest receivable at reporting date was:

	<b>Gross carrying amount</b>	
	<b>2023</b>	<b>2022</b>
Not past due	-	-
Past due 0-30 days	557,047	585,283
Past due 31-120 days	192,231	341,653
Past due 121 days to one year	541,018	419,822
More than one year	41,850	51,349
	<hr/>	<hr/>
	<u>1,332,146</u>	<u>1,398,107</u>

**FIRST MORTGAGE INVESTMENTS  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**11. FINANCIAL INSTRUMENTS (CONT.)**

*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 approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

In accordance with the Constitution and the Product Disclosure Statement ("PDS"), as the Scheme is a contributory fund, the redeeming of investment funds prior to the repayment of the associated mortgage loan is not readily available. Funds can only be early redeemed if an alternative investor can be found.

The Scheme's liquidity risk is managed on a monthly basis by the Board of Directors of the Responsible Entity in accordance with the policies and procedures in place.

The Responsible Entity manages the Scheme's its liquidity by:

- Offering investments with fixed maturity terms of usually 24 to 36 months;
- Lending to borrowers with first mortgage security for periods generally not exceeding 36 months and only where borrowers meet the Scheme's lending criteria; and
- Having the ability under the Scheme's Constitution and Product Disclosure Statement to only pay redemptions upon the repayment of the applicable mortgage loans.
- Ensuring the term of investment aligns to the maturity term of the underlying specified asset under the Supplementary Product Disclosure Statement.

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**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**11. FINANCIAL INSTRUMENTS (CONT.)**

*Liquidity risk (cont.)*

The following are the contractual maturities of financial liabilities, excluding interest payments:

<b>2023</b>	<b>Carrying value \$</b>	<b>Contractual cash flows \$</b>	<b>0-3 months \$</b>	<b>3-6 months \$</b>	<b>6-12 months \$</b>	<b>12-24 months \$</b>	<b>&gt; 2 years \$</b>
Members distributions payable	303,893	303,893	303,893	-	-	-	-
Other payables	1,395,628	1,395,628	268,315	279,360	337,607	510,346	-
Manager fees payable	461,068	461,068	461,068	-	-	-	-
Net assets attributable to investors	116,497,000	116,497,000	22,397,000	23,319,000	28,181,000	42,600,000	-
<b>TOTAL</b>	<b>118,657,589</b>	<b>118,657,589</b>	<b>23,430,276</b>	<b>23,598,360</b>	<b>28,518,607</b>	<b>43,110,346</b>	<b>-</b>
<b>2022</b>	<b>Carrying value \$</b>	<b>Contractual cash flows \$</b>	<b>0-3 months \$</b>	<b>3-6 months \$</b>	<b>6-12 months \$</b>	<b>12-24 months \$</b>	<b>&gt; 2 years \$</b>
Members distributions payable	224,022	224,022	224,022	-	-	-	-
Other payables	1,107,197	1,107,197	77,208	30,817	69,896	666,181	263,095
Manager fees payable	607,634	607,634	607,634	-	-	-	-
Net assets attributable to investors	89,632,208	89,632,208	6,250,318	2,494,727	5,658,382	53,930,108	21,298,673
<b>TOTAL</b>	<b>91,571,061</b>	<b>91,571,061</b>	<b>7,159,182</b>	<b>2,525,544</b>	<b>5,728,278</b>	<b>54,596,289</b>	<b>21,561,768</b>

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**11. FINANCIAL INSTRUMENTS (CONT.)**

***Liquidity risk (cont.)***

The impacts the economic pressures like increases in interest rates and inflation, on the Australian economy and property market may result in net assets attributable to investors being realised outside of current contractual terms.

***Fair values versus carrying amounts***

The Directors consider that the fair value of financial assets and liabilities of the Scheme approximate their carrying amounts.

**12. RELATED PARTIES**

***Responsible Entity***

The Responsible Entity of First Mortgage Investments during the financial year was First Mortgage Managed Investments Limited (ABN 39 089 507 899).

***Key management personnel***

The Scheme does not employ people in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Scheme and this is considered the key management personnel. The directors of the Responsible Entity are key management personnel of that entity and their names are:

<b>Name</b>	<b>Period of directorship</b>
Mr Michael Henry Boyce	Appointed 15 September 1999
Ms Karen Joan Scott	Appointed 15 September 1999
Ms Megan Kay Boyce	Appointed 3 March 2014

The manager is entitled to a management fee which is based on the margin between interest income and distributions to investors.

No compensation is paid to directors directly by the Scheme or to any of the key management personnel of the Responsible Entity.

***Related party investments held by the Scheme***

The scheme has no investment in the key management personnel related parties or their associates (2022: nil).

***Key management personnel loan disclosures***

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period (2022: nil).

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**12. RELATED PARTIES (CONT.)**

*Other transactions within the Scheme*

Apart from those details disclosed in this note, no key management personnel has entered into a material contract with the Scheme since the end of the previous year and there were no material contracts involving such interests subsisting at year end (2022: nil).

*Related party transactions*

The following fees were paid by the Scheme to associates of the Responsible Entity during the financial year:

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Management fees for the year, paid and payable to First Mortgage Investments Pty Ltd by the Scheme under the terms of the Service Agreement between that company and the Responsible Entity, net of reduction or increment in management fee to offset impairment losses or reversal of impairment. For the year ended 30 June 2023, there was no adjustment to the management fee (2022: nil)	5,759,965	6,940,807
<i>Balances with related parties</i>		
Fees (payable to)/receivable from related parties by the Scheme at balance date are as follows:		
First Mortgage Investments Pty Ltd	(461,068)	(607,634)

First Mortgage Investments Pty Ltd is entitled to recover from borrowers interest paid under the Income Protection Plan. Under the Income Protection Plan, in the event that a borrower defaults or is late in making interest payments, First Mortgage Investments Pty Ltd may advance funds equivalent to the Scheme to fund the income payments. These funds are reimbursed to First Mortgage Investments Pty Ltd upon receipts of the monies from borrowers.

The Scheme entered into an arrangement on 1 July 2009, which was formalised by a Deed of Assignment dated 28 October 2010, the arrangement assigns certain interest receivable from current and prior periods to First Mortgage Investments Pty Ltd, an entity related to the manager. During the year an amount of \$nil (2022: \$nil) was assigned to First Mortgage Investments Pty Ltd. The total interest assigned at 30 June 2023 for loans outstanding at that date was \$nil (2022: \$nil) as the loan/s under the Deed of Assignment were fully repaid during the financial year.



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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**12. RELATED PARTIES (CONT.)**

If the Scheme had not entered into this arrangement, total impairment losses at 30 June 2023 of \$nil (2022: \$nil) in relation to the assigned interest receivable on mortgage loans may have been incurred by the Scheme to date on the associated loan. As noted above, there were no Assignment during the current financial year.

*Members investing activities*

Detailed below are investments in the Scheme by the Responsible Entity or its related parties, as referred to in the scheme's Register of Related Parties.

Entity	Value of investment at 1 July \$	Value of investment at year end \$	Interest held in scheme at year end	Amount invested during the year \$	Amounts withdrawn during the year \$	Distributions paid \$
<b>30 June 2023</b>						
First Mortgage Investments Pty Ltd	5,155,000	28,201,000	24.21%	31,689,500	(8,643,500)	1,180,079
Other director related entities – associates of Michael Boyce and Megan Boyce	5,996,600	7,527,600	6.46%	1,531,000	-	463,132
Other director related entities – associates of Karen Scott	868,000	978,000	0.84%	110,000	-	63,845
<b>30 June 2022</b>						
First Mortgage Investments Pty Ltd	11,803,000	5,155,000	5.75%	11,590,000	(18,238,000)	715,767
Other director related entities – associates of Michael Boyce and Megan Boyce	7,351,150	5,996,600	6.69%	88,450	(1,443,000)	401,312
Other director related entities – associates of Karen Scott	568,000	868,000	0.97%	300,000	-	51,843

These investments are on normal terms and conditions as provided to other members. First Mortgage Investments Pty Ltd invests in the Scheme from time to time to provide sufficient funds for certain mortgage investments to be fully funded. These investments are withdrawn if other investors' funds are obtained.

**13. CONTINGENCIES**

There are no contingent liabilities at 30 June 2023 or 30 June 2022.

**FIRST MORTGAGE INVESTMENTS  
ARSN 089 600 920**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**14. EVENTS SUBSEQUENT TO REPORTING DATE**

There has not arisen in the interval between the end of the financial year and the date of this report 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.

**FIRST MORTGAGE INVESTMENTS  
ARSN 089 600 920**

**DIRECTORS' DECLARATION**

In the opinion of the directors of First Mortgage Managed Investments Limited, Responsible Entity of First Mortgage Investments:

1. The financial statements and notes set out on pages 6 to 33, are in accordance with the *Corporations Act 2001*, including:
  - (a) giving a true and fair view of the financial position of the Scheme as at 30 June 2023, and of its performance, as presented by the results of its operations and its cash flows for the year ended on that date; and
  - (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
2. There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.
3. The directors draw attention to Note 2(a) to the financial statement, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors of First Mortgage Managed Investments Limited.

Dated at Burleigh this 15 day of September 2023.



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Karen Scott  
Director  
Burleigh Heads

# Independent Auditor's Report

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To the member of First Mortgage Investments

## Opinion

We have audited the **Financial Report** of the First Mortgage Investments (the Scheme).

In our opinion, the accompanying **Financial Report** of the First Mortgage Investments 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 2023, 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 the:

- Statement of financial position as at 30 June 2023
- 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 (including Independence Standards)* (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 First Mortgage Investments' annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of First Mortgage Managed Investments 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.

### Responsibilities of the Directors for the Financial Report

The Directors 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
- 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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our Auditor's Report.



KPMG



Adam Twemlow

Partner

Gold Coast

15<sup>th</sup> September 2023