

OAK CAPITAL

MORTGAGE FUND

2017 FINANCIAL REPORTS

OAK CAPITAL MORTGAGE FUND
ARSN 166 411 463
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

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OAK CAPITAL MORTGAGE FUND
ARSN 166 411 463

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

The Directors of Oak Capital Mortgage Fund Ltd, the Responsible Entity of Oak Capital Mortgage Fund (the 'Fund'), submit their report together with the financial report of the Fund for the year ended 30 June 2017.

Directors

The names of each person who has been a Director of the Responsible Entity during the year and to the date of this report are:

- Stephen Mitchell
- Peter Flanders
- Austin Young (resigned 01/08/2017)
- Janai Hunter (appointed 01/08/2017)

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

Results and Distributions

Revenue of \$1,287,049 (2016: \$1,574,557) less expenses \$577,546 (2016: \$729,354) resulted in a distribution to Unitholders of \$709,503 (2016: \$845,203).

Review of Operations

At 30 June 2017 the Fund had 13 loans totalling \$6,438,618 (2016: 9 loans totalling \$7,506,264); with 3 loans totalling \$877,539 being funded and repaid in full during the financial year. 6 loans at 30 June 2016 totalling \$5,800,264 were repaid by 30 June 2017.

Loans in Default

As at 30 June 2017, the scheme had 4 loans in default. The directors summarise the current position of the loans as below:

Loan - OAK1503251 & OAK1504281

These loans are in default due to their loan terms having expired in May 2016. The loans were sold to a related party on 15 September 2017, with settlement occurring on 20 September 2017. Full recovery of all outstanding principal and interest due to investors was achieved.

Loan - OAK1603231

This loan is in default due to the loan's term having expired on 11 May 2017. The loan was repaid in full on 13 July 2017, with full recovery of all outstanding principal, interest and other amounts.

Loan - OAK1610301

The loan is in default due to non-payment of default interest, stemming from the late payment of normal interest. Since balance date the borrower has caught up with interest payments and the loan is no longer in default.

Principal Activities

The principal activity of the Fund is the provision of a variety of investment opportunities including vacant land, residential property, construction and development, commercial property and industrial property. Unitholders are provided with a fixed rate, fixed term, interest only investment, secured by a first mortgage, supported by guarantees and collateral securities where necessary.

No significant change in the nature of these activities occurred during the period.

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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

Significant Changes in the State of Affairs

No significant changes in the Fund's state of affairs during the year.

After Balance Date Events

No other matter or circumstance has arisen since 30 June 2017 which significantly affected, or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in subsequent financial years.

Future Developments

The Fund expects to increase its level of operations and continue to offer managed investments under its Product Disclosure Statement. There are no other likely developments expected in the operations in future financial periods, other than a growth in loans receivable and unitholders.

Environmental Issues

The Fund's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no breaches of any other environmental requirements applicable to the Fund.

Distributions

The following distributions were paid / are payable by the Fund to Unitholders, out of assets of the Fund during / at the end of the financial year.

	2017	2016
	\$	\$
Distributions Paid	659,251	817,452
Distributions Payable	82,603	57,221
Distributions Paid in Advance	<u>(32,351)</u>	<u>(29,470)</u>
Total Distributions	<u>709,503</u>	<u>845,203</u>

Indemnification and Insurance of Directors and Auditors

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, to any person who is or has been an officer or auditor of the Fund.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Fund or intervene in any proceedings to which the Fund is a party.

The Fund was not a party to any such proceedings during the year.

Fees Paid to the Responsible Entity

Details of fees paid to the Responsible Entity out of Fund assets during the financial year are located at Note 15(c).

Interests in the Fund Held by the Responsible Entity and Related Parties of the Responsible Entity

Details of the number of interests held in the Fund by the Responsible Entity and Related Parties of the Responsible Entity at the end of the financial year are located at Note 15(e) of the Financial Statements.

**OAK CAPITAL MORTGAGE FUND
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**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017**

Valuation of Fund Assets

Details of the basis for valuation of Fund assets are located at Note 1 to the Financial Statements, while details of the valuation of Fund assets are located at Notes 5 - 9 of the Financial Statements.

Interests in the Fund

Details of the number of interests in the Fund at the end of the financial period are located at Note 12 of the Financial Statements.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is set out on page 5 of the Financial Statements.

Signed in accordance with a resolution of the Board of Directors at Bundall this 27th day of September 2017.



Peter Flanders

Director



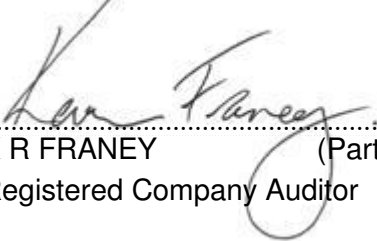
AUDITORS' INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Oak Capital Mortgage Fund for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been no contravention of:

- a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

Dated at Lismore this 27th day of September 2017.

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS



.....
K R FRANEY (Partner)
Registered Company Auditor

OAK CAPITAL MORTGAGE FUND
ARSN 166 411 463

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017	2016
		\$	\$
Revenue	(2)	1,287,049	1,574,557
Expenses	(3)	<u>(577,546)</u>	<u>(729,354)</u>
Profit for the Year		<u>709,503</u>	<u>845,203</u>
Income Tax Expense	(1(g))	<u>-</u>	<u>-</u>
Profit for the Year		<u><u>709,503</u></u>	<u><u>845,203</u></u>
Distributions to Unitholders		<u>(709,503)</u>	<u>(845,203)</u>
Net Profit for the Year		<u>-</u>	<u>-</u>
Other Comprehensive Income		<u>-</u>	<u>-</u>
Change in Net Assets Attributable to Unitholders		<u><u>-</u></u>	<u><u>-</u></u>

The accompanying notes form part of these financial statements

OAK CAPITAL MORTGAGE FUND
ARSN 166 411 463

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 \$	2016 \$
Assets			
Cash and Cash Equivalents	(5(a))	1,830,305	1,231
Interest and Other Receivables	(6)	175,708	186,004
Loans Receivable	(7)	6,438,618	7,506,264
Other Assets	(9)	<u>130,574</u>	<u>146,945</u>
Total Assets		<u>8,575,205</u>	<u>7,840,444</u>
Liabilities			
Trade and Other Payables	(10)	205,100	186,004
Other Liabilities	(11)	<u>166,047</u>	<u>148,177</u>
Total Liabilities (Excluding Net Assets Attributable to Unitholders)		<u>371,147</u>	<u>334,181</u>
Net Assets Attributable to Unitholders	(12)	<u><u>8,204,058</u></u>	<u><u>7,506,263</u></u>

The accompanying notes form part of these financial statements

OAK CAPITAL MORTGAGE FUND
ARSN 166 411 463

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Units on Issue \$	Net Assets Attributable to Unitholders (Calculated in accordance with redemption requirements) \$	Net Assets Attributable to Unitholders (Calculated in accordance with AASB) \$
Balance as at 1 July 2015		6,417,696	6,417,696	6,417,696
Issue of redeemable units		9,842,861	9,842,861	9,842,861
Redemption of redeemable units		(8,754,294)	(8,754,294)	(8,754,294)
Balance as at 30 June 2016	(12)	<u>7,506,263</u>	<u>7,506,263</u>	<u>7,506,263</u>
Balance as at 1 July 2016		7,506,263	7,506,263	7,506,263
Issue of redeemable units		8,642,870	8,642,870	8,642,870
Redemption of redeemable units		(7,945,075)	(7,945,075)	(7,945,075)
Balance as at 30 June 2017	(12)	<u>8,204,058</u>	<u>8,204,058</u>	<u>8,204,058</u>

The accompanying notes form part of these financial statements

OAK CAPITAL MORTGAGE FUND
ARSN 166 411 463

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
		Inflows / (Outflows)	Inflows / (Outflows)
i) Cash Flows from Operating Activities			
Interest Received		904,135	1,028,469
Other Revenue Received		410,161	446,717
GST Received		35,765	39,033
Payments for Operating Expenses		<u>(645,938)</u>	<u>(707,755)</u>
Net Cash Provided by Operating Activities	(5(b))	<u>704,123</u>	<u>806,464</u>
ii) Cash Flows from Investing Activities			
Loans Advanced to Borrowers		(6,083,328)	(9,847,748)
Loans Repaid by Borrowers		<u>7,170,534</u>	<u>8,754,293</u>
Net Cash Provided by / (Used in) Investing Activities		<u>1,087,206</u>	<u>(1,093,455)</u>
iii) Cash Flows from Financing Activities			
Unitholders Funds Received from Investors		8,642,870	9,842,861
Unitholders Funds Repaid to Investors		(7,945,075)	(8,754,293)
Distributions Paid to Investors		<u>(660,050)</u>	<u>(817,453)</u>
Net Cash Provided by Financing Activities		<u>37,745</u>	<u>271,115</u>
Net Increase in Cash Held		1,829,074	(15,876)
Cash and Cash Equivalents at the Beginning of the Financial Year		<u>1,231</u>	<u>17,107</u>
Cash and Cash Equivalents at the End of the Financial Year	(5(a))	<u><u>1,830,305</u></u>	<u><u>1,231</u></u>

The accompanying notes form part of these financial statements

OAK CAPITAL MORTGAGE FUND
ARSN 166 411 463
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

The registered office of the Responsible Entity, Oak Capital Mortgage Fund Ltd, is located at Level 4, 142 Bundall Road, Bundall, Queensland, 4217.

The investment objective of the Fund is to provide Members with regular returns secured by first and/or second registered mortgages and/or caveat/s over real property.

The financial statements of the Oak Capital Mortgage Fund for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 27 September 2017.

Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current.

The financial statements are presented in Australian Dollars.

The Fund is a for-profit entity for the purpose of preparing financial statements.

Statement of Compliance

The financial statements have been prepared in accordance with the Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) New and Amended Accounting Standards Adopted by the Fund

The Fund has not adopted any new or amended Australian Accounting Standards and AASB Interpretations that took effect during the financial year, as each new standard and/or amendment was deemed to have not been applicable to the Fund or the nature and the impact of each new standard and/or amendment was deemed to have not had a material impact on the Fund.

(b) Financial Instruments

The Fund classifies its financial assets and financial liabilities into the categories below in accordance with AASB 139 Financial Instruments: Recognition and Measurement.

(i) Classification

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund includes in this category short term receivables.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial Instruments (Cont'd)

(i) Classification (Cont'd)

Other Financial Liabilities

Other financial liabilities are measured at their nominal amounts. Amounts are generally settled within 30 days of being recognised as other financial liabilities. Given the short-term nature of other financial liabilities, the nominal amount approximates fair value.

(ii) Recognition

The Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

(iii) De-Recognition

A financial asset (or, where applicable a part of a financial asset) is derecognised where:

- i. The rights to receive cash flows from the asset have expired; or
- ii. The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- iii. Either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

(iv) Initial Measurement

Loans and receivables and financial liabilities are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(v) Subsequent Measurement

Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

OAK CAPITAL MORTGAGE FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial Instruments (Cont'd)

(v) Subsequent Measurement (Cont'd)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(c) Impairment of Financial Assets

The Fund assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as 'impairment expense'.

Impaired debts together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced. If a previous write-off is later recovered, the recovery is credited to the 'impairment expense'.

(d) Revenue

Interest Revenue

Interest revenue is recognised in profit or loss using the effective interest method. Refer to Note 1(b)(v) for information on the effective interest method.

Application Fees

Application fees revenue is recognised proportionally over the life of the loan in profit or loss.

Mortgage Documentation Fees

Mortgage documentation fees revenue is recognised proportionally over the life of the loan in profit or loss.

OAK CAPITAL MORTGAGE FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Expenses

All expenses are recognised in profit or loss on an accruals basis.

(f) Distribution of Unitholders

The Fund distributes its distributable income, in accordance with the Fund's constitution, to unitholders by cash. The distributions are recognised in profit or loss as finance costs attributable to unitholders.

(g) Income Tax

Under current Australian legislation, the Fund is not subject to income tax provided the unitholders are presently entitled to the income of the Fund and the Fund fully distributes its net taxable income.

(h) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise demand deposits which are subject to an insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(i) Receivables

Receivables may include interest and other receivables. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 1(d) above. Amounts are generally received within 30 days of being recorded as receivables.

(j) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period.

As the Fund has a contractual obligation to distribute its distributable income, a separate distribution payable is recognised in the statement of financial position as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

(k) Redeemable Units

All redeemable units issued by the Fund provide investors with the right to require redemption for cash. The Fund's obligation to redeem units is set out in the Product Disclosure Statement.

(l) Goods & Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by the Responsible Entity have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 75%; hence fees paid to the Responsible Entity have been recognised in profit or loss net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

OAK CAPITAL MORTGAGE FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Capital Management

The Responsible Entity manages its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change on a daily basis in accordance with the provisions of the Product Disclosure Statement.

The Fund is not subject to any externally imposed capital requirements.

(o) Standards Issued But Not Yet Effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been early adopted by the Fund. The directors of the Responsible Entity's assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

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

AASB 9 introduces, among other changes, revised rules around impairment. Impairment of assets is now based on expected losses in IFRS 9 which requires entities to measure:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

The impact of the changes to impairment not yet been determined by the directors of the Responsible Entity.

(ii) AASB 15 Revenue from Contracts with Customers, (effective from 1 January 2017)

AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified by the directors of the Responsible Entity.

OAK CAPITAL MORTGAGE FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$	\$
NOTE 2 - REVENUE		
Interest Received from Borrowers	911,267	1,073,613
Application Fees	251,685	296,090
Default Interest Received	54,570	147,460
Default Management Fees Received	40,670	19,714
Release Fees	4,165	12,175
Mortgage Management Fees	14,267	10,925
Research Fees	8,115	10,620
Other Revenue	2,310	3,960
	<u>1,287,049</u>	<u>1,574,557</u>

NOTE 3 - EXPENSES

Fees Paid to the Responsible Entity:		
Application Fees	233,093	274,387
Management Fees	190,250	213,846
Default Interest	48,909	147,710
GST Facility Fees	37,210	41,700
Default Management Fees	42,010	17,258
Release Fees	3,502	12,016
Mortgage Management Fees	12,960	10,238
Research Fees	7,562	8,479
Other Fees	2,050	3,720
	<u>577,546</u>	<u>729,354</u>
Total Expenses	<u>577,546</u>	<u>729,354</u>

NOTE 4 - AUDITOR'S REMUNERATION

Audit and Review - Financial Statements	13,500	12,075
Other Services - Audit of Compliance Plan	3,000	2,830
	<u>16,500</u>	<u>14,905</u>
Total Auditor's Remuneration	<u>16,500</u>	<u>14,905</u>

Auditor's remuneration is paid by the Responsible Entity and is not paid by the Fund out of Fund assets.

NOTE 5 - CASH AND CASH EQUIVALENTS

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, Cash and Cash Equivalents comprise:

Cash at Bank and Cash Equivalents	1,830,305	1,231
Total Cash and Cash Equivalents	<u>1,830,305</u>	<u>1,231</u>

Cash at Bank is restricted as the funds are either Investor funds not yet invested in a mortgage or Borrowers funds held in trust.

OAK CAPITAL MORTGAGE FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$	\$
NOTE 5 - CASH AND CASH EQUIVALENTS (CONT'D)		
(b) Reconciliation of Cash Flows from Operating Activities		
Operating Profit Attributable to Unitholders	709,503	845,203
Changes in Assets and Liabilities:		
(Increase) / Decrease in Interest and Other Receivables	10,296	(63,078)
(Increase) / Decrease in Other Assets	(13,620)	(30,688)
Increase / (Decrease) in Trade and Other Payables	(366)	(802)
Increase / (Decrease) in Other Liabilities	(1,690)	55,829
	<u>704,123</u>	<u>806,464</u>
Net Cash Provided by Operating Activities	<u>704,123</u>	<u>806,464</u>
NOTE 6 - INTEREST AND OTHER RECEIVABLES		
GST Receivable from ATO	-	9,571
Default Management Fees	3,930	9,400
Mortgage Management Fees	-	100
Default Interest	48,001	81,389
Interest Receivable	107,383	78,164
Application Fees Receivable	15,899	7,380
Other Fees Receivable	495	-
	<u>175,708</u>	<u>186,004</u>
Total Interest and Other Receivables	<u>175,708</u>	<u>186,004</u>
NOTE 7 - LOANS RECEIVABLE		
(a) Amount Due Comprises:		
Loans Receivable	6,438,618	7,506,264
Less: Provision for Impairment (Note 8)	-	-
	<u>6,438,618</u>	<u>7,506,264</u>
Net Loans Receivable	<u>6,438,618</u>	<u>7,506,264</u>
(b) Financial Commitments		
The Fund has the following undrawn Loans Receivable commitments:		
Approved Loans Receivable	7,739,660	7,506,264
Less: Loans Receivable Drawn Down	(6,438,618)	(7,506,264)
	<u>1,301,042</u>	<u>-</u>
Undrawn Loan Commitment	<u>1,301,042</u>	<u>-</u>

OAK CAPITAL MORTGAGE FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

		2017 \$			2016 \$
NOTE 7 - LOANS RECEIVABLE (CONT'D)					
(c) Credit Quality - Security Held Against Term Loans					
All loans receivable noted at Note 7(a) are secured by registered first mortgages, and some second mortgages, and are disclosed by type as follows*:					
	#		#		
Property - Residential	2	603,228	2		1,477,329
Vacant Land - Residential	8	3,861,611	3		1,390,158
Property - Commercial	1	1,709,457	3		2,852,935
Property - Industrial	2	264,322	1		1,470,000
Vacant Land - Industrial	0	-	2		315,842
Property - Rural	0	-	0		-
Totals	<u>13</u>	<u>6,438,618</u>	<u>11</u>		<u>7,506,264</u>

*Note some loans receivable have multiple types of security.

A breakdown of the quality of the above registered first mortgages held as security is as follows:

Loan to Valuation Ratio > 70%	2	256,644	1		113,144
Loan to Valuation Ratio 61-70%	5	2,216,165	4		3,912,283
Loan to Valuation Ratio 51-60%	5	3,778,702	4		3,480,837
Loan to Valuation Ratio < 50%	1	187,107	0		-
Totals	<u>13</u>	<u>6,438,618</u>	<u>9</u>		<u>7,506,264</u>

(d) Concentrations of Credit Risk

Concentrations of credit risk arise in the following categories:

Concentration of Geographic Location*

Queensland	8	2,999,774	2		315,842
Victoria	-	-	4		3,396,777
South Australia	-	-	1		964,954
Western Australia	3	1,542,280	3		1,390,158
New South Wales	2	1,896,564	1		1,438,533
Totals	<u>13</u>	<u>6,438,618</u>	<u>11</u>		<u>7,506,264</u>

*Note some loans receivable have securities in two geographic locations.

Concentration of Borrowers

Loans Receivable to individual Borrowers exceeding 10% of Unitholders Funds

	<u>4</u>	<u>4,609,233</u>	<u>5</u>	<u>5,918,761</u>
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OAK CAPITAL MORTGAGE FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
NOTE 8 - PROVISION FOR IMPAIRMENT		
a) Provision for Impairment		
Provision for Impairment - Loans Receivable	-	-
Total Provision for Impairment	-	-
b) Loans Past Due but not Impaired		
As at 30 June 2017, the Scheme had three (3) loans receivable classified as past due but not impaired (2016: two (2) loans):		
	Carrying Value	Carrying Value
1 to 30 days in arrears	1,059,945	-
151 to 180 days in arrears	-	1,962,000
361 to 390 days in arrears	482,335	-
	1,542,280	1,962,000
	Security Value	Security Value
The above loans receivable, are secured by a first mortgages against residential property and/or residential property under construction.	2,230,000	3,085,000
NOTE 9 - OTHER ASSETS		
Application Fees to Responsible Entity Paid in Advance	91,255	70,357
Management Fees to Responsible Entity Paid in Advance	6,968	14,246
Members Distributions Paid in Advance	32,351	62,342
Total Other Assets	130,574	146,945
NOTE 10 - TRADE AND OTHER PAYABLES		
Distributions Payable	82,603	63,141
Net GST Payable	8,544	-
Payable to Joint Lender	8,652	-
Payables to the Responsible Entity:		
Default Interest Payable	48,001	81,389
Management Fees Payable	25,960	15,023
Default Management Fees	3,930	9,400
GST Facility Fee Payable	11,016	9,571
Application Fees Payable	15,899	7,380
Mortgage Management Fees Payable	-	100
Other Fees Payable	495	-
Total Trade and Other Payables	205,100	186,004

OAK CAPITAL MORTGAGE FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$	\$
NOTE 11 - OTHER LIABILITIES		
Mortgage Management Received in Advance	100	-
Interest Received in Advance	74,692	77,820
Application Fees Paid in Advance	91,255	70,357
Total Other Liabilities	166,047	459,060

NOTE 12 - UNITHOLDERS FUNDS

Unitholders Funds Comprises

Funds Received and Invested in a Mortgage	6,419,058	7,506,264
Funds Received but not yet Invested in a Mortgage	1,785,000	-
Total Unitholders Funds	8,204,058	7,506,264

Net Assets Attributable to Unitholders

Each unitholder is directly linked to particular borrowers and thus particular assets of the Fund. Realised credit losses in the form of actual loss of capital value is charged to unitholders attributable to funding the loans. Unrealised credit losses in the form of provision for impairments are charged or credited to unitholders attributable to funding the loans as the impairment losses are incurred or reversed. Unitholders have various rights under the Fund's constitution and Product Disclosure Statement.

Capital Management

The Fund is not subject to externally imposed capital requirements and issues and redeems units in accordance with the Constitution and Product Disclosure Statement.

The Fund's objectives for managing capital, being net assets attributable to unitholders is to directly link unitholders to specific borrowers and to manage the recoverability of such loans in consultation with unitholders and borrowers such that capital value of unitholders Funds is not compromised.

NOTE 13 - SEGMENT REPORTING

The Fund is organised into one business segment, being funds management; and operates in one geographical segment, being Australia.

NOTE 14 - EVENTS AFTER BALANCE DATE

No other matter or circumstance has arisen since 30 June 2017 which significantly affected, or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in subsequent financial years.

OAK CAPITAL MORTGAGE FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 15 - RELATED PARTY DISCLOSURES

(a) Responsible Entity

The Responsible Entity of Oak Capital Mortgage Fund is Oak Capital Mortgage Fund Ltd.

(b) Details of Key Management Personnel

(i) Key Management Personnel - Directors

The Directors of the Responsible Entity at Note 15(a) are considered to be Key Management Personnel of the Fund. The following Directors of the Responsible Entity were in office during the year and up to the date of the report:

- Stephen Mitchell
- Peter Flanders
- Austin Young (resigned 01/08/2017)
- Janai Hunter (appointed 01/08/2017)

The above Directors have been in office for the entire period unless otherwise disclosed.

(ii) Key Management Personnel - Other

In addition to the Directors at Note 15(b)(i) above, the Responsible Entity is considered to be Key Management Personnel with the authority for the strategic direction and management of the

(iii) Loans to Key Management Personnel

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to Key Management Personnel or any related party entity at any time during the reporting period.

(iv) Compensation of Key Management Personnel

Fees paid to the Responsible Entity are disclosed at Note 15(c).

The Directors of the Responsible Entity do not receive any remuneration direct from the Fund and they received the following remuneration from the Responsible Entity:

	Short-Term	Post Employment	Total
	Salary	Superannuation	\$
	\$	\$	
30-Jun-17			
Directors Remuneration	-	-	-
30-Jun-16			
Directors Remuneration	75,695	7,191	82,886

OAK CAPITAL MORTGAGE FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 15 - RELATED PARTY DISCLOSURES (CONT'D)

(c) Fees Paid to the Responsible Entity

Oak Capital Mortgage Fund Ltd, as the Responsible Entity of the Fund, provides management services to the Fund. Transactions between the Fund and the Responsible Entity result from normal dealings with that Company as the Fund's Responsible Entity.

The following fees were paid or are payable by the Fund to the Responsible Entity out of the assets of the Fund for the financial year:

	2017	2016
	\$	\$
Application Fees ¹	233,093	274,387
Management Fees ²	190,250	213,846
Mortgage Management Fees ³	12,960	10,238
GST Facility Fee ⁴	37,210	41,700
Default Interest ⁵	48,909	147,710
Other Fees ⁶	55,124	41,473
Total Fees Paid to the Responsible Entity	577,546	729,354

1 - Application fees of up to 5.00% of the proposed loan amount are charged in order to compensate the Responsible Entity for due diligence work performed on loan proposals. These fees are only paid to the Responsible Entity if paid by the borrower to the Fund. Application fees for 2017 were between 1.25% and 3.60% (2016: 1.25% & 3.60%).

2 - The Responsible Entity is entitled to receive a monthly management fee of the funds invested by Unitholders, which have been invested in a mortgage, equal to the difference between the interest rate to be charged to the borrower and the distribution rate to be paid to the unitholder, as per the Fund's Product Disclosure Statement. These fees are only paid to the Responsible Entity if paid by the borrower to the Fund. Management fees for 2017 were between 1.6% & 16% (2016: 1.93% & 16%).

3 - Mortgage management fee of up to \$240 per month per loan.

4 - All GST refunds received by the Fund are passed on to the Responsible Entity.

5 - Any default interest received by the Fund is passed on to the Responsible Entity as per the Fund's Product Disclosure Statement.

6 - Other fees as charged to the Borrower are passed on to the Responsible Entity in accordance with the Fund's Product Disclosure Statement.

(d) Related Party Transactions

(i) Oak Capital Mortgage Fund Ltd - Transactions between the Fund and the Responsible Entity during the year are outlined at Note 15(c) above.

OAK CAPITAL MORTGAGE FUND
ARSN 166 411 463

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 15 - RELATED PARTY DISCLOSURES (CONT'D)

(e) Related Party Investments in the Fund

All investment transactions with related parties, are conducted on terms and conditions no more favourable than to other Unitholders of the Fund. Offers of investment are made to related parties at the same time and in the same format as for all existing unitholders and any potential unitholders.

	2017	2016
	\$	\$
Investments made	952,539	437,467
Redemptions received	(701,205)	(143,181)
Investment balance	593,701	342,366
Distributions received	37,525	37,025

NOTE 16 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Fund's objective in managing risk is the protection of unitholder value. Risk is inherent in the Fund's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability.

Risk Management Structure

The Fund's Responsible Entity is responsible for identifying and controlling risks. The Board of Directors supervises the Responsible Entity and is ultimately responsible for the overall risk management approach within the Fund.

Risk Measurement and Reporting System

Monitoring and controlling risks is primarily performed based on policies established by the Responsible Entity. These policies reflect the business strategy and market environment of the Fund, as well as the level of risk the Fund is willing to accept.

Risk Mitigation

The Responsible Entity has developed a Compliance Plan as part of its overall business strategies and its general risk management. A separate audit report is issued in relation to the level of compliance with the Compliance Plan by the Responsible Entity and the level of compliance is monitored by a Compliance Committee.

Excessive Risk

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or loans and advances are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentration of risk, the Fund's policies and procedures include guidelines to focus on maintaining a diversified portfolio. The Board will manage excessive risk concentrations when they arise.

OAK CAPITAL MORTGAGE FUND
ARSN 166 411 463

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 16 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices.

The Fund is not exposed to currency risk and other price risk; and the Fund does not trade in the financial instruments it holds on its books.

The Fund is not materially exposed to movements in interest rates as Loans Receivable and Unitholders Funds are on fixed interest terms, with only minimal Cash and Cash Equivalents on variable interest rates. Details of the 'Interest Rate Risk Profile' is set out in Note 18, while no sensitivity analysis has been performed as Loans Receivables and Unitholders Funds are on fixed interest terms.

Credit Risk – Loans

Credit risk is the risk that a Borrower will cause a financial loss for the Fund, by failing to discharge an obligation.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The Compliance Plan only allows loans to borrowers at a maximum loan to valuation ratio of 90%. Valuers are selected from a panel approved by the Board of Directors of the Responsible Entity that meet strict criteria.

The Fund minimises concentrations of credit risk in relation to Loans Receivable by undertaking transactions with a large number of customers within the specified category. The details of the geographical and significant borrowers concentrations are set out in Note 7(d).

As the Fund is a contributory Fund, credit losses for loans are borne by the unitholders that funded each individual loan.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is not subject to material liquidity risk, as Unitholders Funds are tied to individual Loans Receivable.

The Fund has set out in Note 17, the 'Maturity Profile of Financial Assets and Financial Liabilities', based on the contractual repayment terms.

Per the Product Disclosure Statement and the Fund's Constitution, Cash at Bank is currently held with a regulated financial institution.

Capital Management

Management control the capital of the Fund to ensure that adequate cash flows are generated to fund its lending portfolio programs and that returns from investments are maximised. The Board ensures that the overall risk management strategy is in line with this objective.

The Board operates under policies approved by it. Risk Management policies are approved and reviewed by the board on an annual basis. These include credit risk policies and future cash flow requirements. The Fund's capital consists of financial liabilities, supported by financial assets.

OAK CAPITAL MORTGAGE FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 17 - MATURITY PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Monetary assets and liabilities have differing maturity profiles depending on the contractual term and in the case of loans receivable, the repayment amount and frequency. The table shows the period in which different monetary assets and liabilities held, will mature and be eligible for renegotiation or withdrawal.

Due to the non-pooled contributory nature of the Fund, monetary assets and liabilities do not have differing maturity profiles depending on the contractual term and in the case of loans receivable, the repayment amount and frequency. Despite this, the table shows the period in which different monetary assets and liabilities held, will mature and be eligible for renegotiation or withdrawal for the Fund as a whole.

30-Jun-17						
	1-3 Months	3-6 Months	6-12 Months	1-3 Years	No Maturity	Total
	\$	\$	\$	\$	\$	\$
Financial Assets						
Cash and Cash Equivalents	-	-	-	-	1,830,305	1,830,305
Interest and Other Receivables	175,708	-	-	-	-	175,708
Loans Receivable	2,002,602	2,539,452	1,896,564	-	-	6,438,618
Total Financial Assets	2,178,310	2,539,452	1,896,564	-	1,830,305	8,444,631
Financial Liabilities						
Trade and Other Payables	205,100	-	-	-	-	205,100
Unitholders Funds	2,129,815	2,624,544	1,959,826	-	1,785,000	8,499,185
Total Financial Liabilities	2,334,915	2,624,544	1,959,826	-	1,785,000	8,704,285

30-Jun-16						
	1-3 Months	3-6 Months	6-12 Months	1-3 Years	No Maturity	Total
	\$	\$	\$	\$	\$	\$
Financial Assets						
Cash and Cash Equivalents	-	-	-	-	1,231	1,231
Interest and Other Receivables	186,724	-	-	-	-	186,724
Loans Receivable	2,576,588	2,434,954	2,494,722	-	-	7,506,264
Total Financial Assets	2,763,312	2,434,954	2,494,722	-	1,231	7,694,219
Financial Liabilities						
Trade and Other Payables	186,004	-	-	-	-	186,004
Unitholders Funds	2,730,460	2,508,705	2,557,025	-	-	7,796,190
Total Financial Liabilities	2,916,464	2,508,705	2,557,025	-	-	7,982,194

OAK CAPITAL MORTGAGE FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 18 - INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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 rates on those financial assets and financial liabilities, is as follows:

Interest revenue is directly linked to interest expense as the Fund is a non-pooled contributory Fund, i.e. unitholders are directly linked to loans and other than the Responsible Entity fees retained. As a result the Fund does not have any interest rate risk. Despite this, the following table shows the interest rate profile of the Fund as a whole.

30-Jun-17						
Floating Interest Rate	Fixed Interest Rate Maturing In:			Non- Interest Rate Sensitive	Total Carrying Amount	Weighted Average Interest Rate
	1 Year or Less	5 years	More Than 5 Years			
\$	\$	\$	\$	\$	\$	%
Financial Assets						
Cash and Cash Equivalents	1,830,305	-	-	-	1,830,305	-
Interest & Other Receivables	-	-	-	175,708	175,708	-
Loans Receivable	-	6,438,618	-	-	6,438,618	13.82
Total Financial Assets	1,830,305	6,438,618	-	-	175,708	8,444,631
Financial Liabilities						
Trade and Other Payables	-	-	-	205,100	205,100	-
Unitholders Funds	-	6,419,058	-	-	6,419,058	11.30
Total Financial Liabilities	-	6,419,058	-	-	205,100	6,624,158
30-Jun-16						
Floating Interest Rate	Fixed Interest Rate Maturing In:			Non- Interest Rate Sensitive	Total Carrying Amount	Weighted Average Interest Rate
	1 Year or Less	5 years	More Than 5 Years			
\$	\$	\$	\$	\$	\$	%
Financial Assets						
Cash and Cash Equivalents	1,231	-	-	-	1,231	-
Interest & Other Receivables	-	-	-	186,004	186,004	-
Loans Receivable	-	7,506,264	-	-	7,506,264	13.96
Total Financial Assets	1,231	7,506,264	-	-	186,004	7,693,499
Financial Liabilities						
Trade and Other Payables	-	-	-	186,004	186,004	-
Unitholders Funds	-	7,506,264	-	-	7,506,264	11.12
Total Financial Liabilities	-	7,506,264	-	-	186,004	7,692,268

**OAK CAPITAL MORTGAGE FUND
ARSN 166 411 463**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

NOTE 19 - FAIR VALUE MEASUREMENT

Fair Value Hierarchy

The Fund measures its loans receivables at amortised cost unless the security used to secure the loan is independently valued at less than the loan book value, in which case an impairment is booked against that loan. The fair value of the property securing the loan is the only element that can be regarded as involving fair value measurement techniques. In such cases the fair value is determined in the following manner and hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all assets and liabilities where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the asset's or liability's valuation. This category includes assets and liabilities that are valued based on quoted prices for similar assets or liabilities where significant unobservable adjustments or assumptions are required to reflect differences between them.

There is no further disclosure required relating to financial assets as Loans and receivables were not impaired and therefore the amount recorded approximates the fair value at balance date.

Valuation Techniques and Unobservable Inputs Used to Derive Level 3 Fair Values

The Responsible Entity of the Fund has a control framework in place to monitor the measurement of fair value, particularly in relation to Level 3 valuations. The principles of this control framework are based on the following activities:

- Compliance Committee Meetings;
- Compliance Plan guidelines to determine appointment and engagement of approved registered valuers;
- Compliance Monitoring;
- Review of the Fund's strategy; and
- Due diligence over new loans and rollover of loan facilities.

**OAK CAPITAL MORTGAGE FUND
ARSN 166 411 463**

**DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2017**

In accordance with a resolution of the Directors of Oak Capital Mortgage Fund Ltd, we state that, in the opinion of the Directors:

- (a) The financial statements and notes of the Fund for the financial year ended 30 June 2017 are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the Fund's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
 - (ii) Complying with Accounting Standards and the Corporations Regulations 2001.
- (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.
- (c) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors at the Bundall this 27th day of September 2017.



Peter Flanders

(Director)



**Independent Auditor's Report
To the Members of Oak Capital Mortgage Fund**

Opinion

We have audited the financial report of Oak Capital Mortgage Fund ("the Fund") which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in net asset attributable to unitholders and the statement of cash flows 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 the Fund is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Fund's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with the Australian Accounting 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of Oak Capital Mortgage Fund Limited, the Responsible Entity of the Fund ("the Directors"), would be in the same terms if given to the Directors as at the time of this auditor's report.

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

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

The Directors are responsible for the other information. The other information comprises the information included in the Director's report for the year ended 30 June 2017, 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.

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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 are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related 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 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 judgement 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 Director's 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 achieved 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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**


.....
K R FRANEY (Partner)

Dated at Lismore this 27th day of September 2017.

How can we help?

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