OAK CAPITAL
MORTGAGE FUND
2021 FINANCIAL REPORTS

ISSUED BY **OAK CAPITAL MORTGAGE FUND LIMITED**
ARSN 166 411 463 | AFSL 438659 | ABN 51 161 407 058

OAKCAPITAL
MORTGAGE FUND

OAK CAPITAL MORTGAGE FUND
ARSN 166 411 463

ANNUAL FINANCIAL REPORT
30 JUNE 2021

OAK CAPITAL MORTGAGE FUND
ARSN 166 411 463

RESPONSIBLE ENTITY'S REPORT

The directors of Oak Capital Mortgage Fund Ltd ('the Responsible Entity'), the Responsible Entity of Oak Capital Mortgage Fund ('the Fund'), present their report together with the financial report of the Fund, for the year ended 30 June 2021 and the auditor's report thereon.

Responsible Entity

The registered office and principal place of business of the Responsible Entity and the Fund is Level 14, 379 Collins Street, Melbourne VIC 3000.

Oak Capital Mortgage Fund Limited (ABN 51 161 407 058) has been the Responsible Entity of the Fund since registration on 6th November 2013.

The directors of Oak Capital Mortgage Fund Limited during or since the end of the financial year are:

Name and qualifications	Experience, responsibilities and other directorships
Stephen Mitchell Diploma of Financial Services, Diploma of Mortgage Lending, Certificate IV in Financial Services/Mortgage Broking	• Worked in the finance industry since 2003 • Responsible Manager • CEO & Managing Director of Oak Capital Mortgage Fund Ltd • Director of SJM Financial Solutions Pty Ltd • Director of SJM Financial Enterprises Pty Ltd
Peter Flanders (Resigned 30/09/2020) Chairman of Lending Committee Certificate IV in Financial Services (Finance/Mortgage Broking)	• Worked in finance & mortgage industries since 2006 • Formerly, Responsible Manager • Formerly, COO & Executive Director of Oak Capital Mortgage Fund Ltd
Janai Hunter N/A	• Over 5-years' experience in the specialist mortgage lending market • Head of People & Culture • Responsible Manager • Executive Director of Oak Capital Mortgage Fund Ltd
Craig Robertson (Appointed 30/09/2020) Diplomas of Financial Services: (i) Financial Planning (ii) Mortgage Broking Management	• Worked in the finance industry since 1990 • Head of Business & Risk • Responsible Manager • Compliance Committee Member • Executive Director of Oak Capital Mortgage Fund Ltd

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RESPONSIBLE ENTITY'S REPORT

Principal activities

The Fund is a registered managed investment fund domiciled in Australia.

The investment activities of the Fund continued to be in accordance with the investment policy of the Fund as outlined in the current product disclosure statement.

The Fund is a contributory mortgage investment fund which is designed to allow investors to select individual investments from a range of approved mortgage products at agreed terms and at agreed rates.

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, industrial property and rural property. Unitholders are provided with a fixed rate, fixed term, interest only investment, secured by a first and/or second mortgages and/or mortgages protected by caveat over real property.

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

The Fund did not have any employees during the year.

Review and result of operations

The Fund's net income from operations before financing costs for the current year was $3,572,548 (2020: $3,373,060).

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 4.75% to 24.00% per annum (2020: 6.00% to 10.00%).

Distributions paid or payable by the Fund since the end of the previous financial year were $3,572,548 (2020: $3,373,060).

Unitholder Funds – liability

The Fund received $48,679,102 of unitholder funds during the financial year (2020: $26,178,420), while $31,421,644 was withdrawn (2020: $14,657,101), resulting in a balance of unitholders' funds of $73,258,114 as at 30 June 2021 (2020: $56,000,656).

The Fund had total assets valued at $75,980,565 as at 30 June 2021 (2020: $57,155,360). The basis for measurement of the Fund's assets is disclosed in Note 2 and Note 3 to the financial statements.

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

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RESPONSIBLE ENTITY'S REPORT

Economic Factors

The combination of a low interest rate environment together with the implementation of various government stimulus measures, resulted in improved lending conditions relative to the prior year. The Australian property market has shown remarkable resilience throughout this period, furthermore the country only experienced a relatively short technical recession proving the government stimulus measures achieved their desired outcomes. Having said this, the impacts of COVID-19 are expected to be with us for some time and we must continue to apply a considered and cautious approach to our lending.

The Directors draw attention to Note 12 which outlines the impacts of COVID-19 to the measurement of financial liabilities, mortgage loans and interest receivable as at 30 June 2021.

Likely developments

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

Environmental Regulation

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

Events subsequent to balance date

Three changes, as outlined below, were made to the PDS that were adopted on 1 July 2021:

- OC Group Services Co Pty Ltd (OCGS), a related entity of the Fund, was appointed on 1 July 2021 to provide a range of services to the Fund. The appointment of OCGS was in the capacity as Agent on behalf of the Responsible Entity, Oak Capital Mortgage Fund Ltd, to carry out all functions previously provided by the Responsible Entity to the Fund. In consideration for the services provided under the Services Agreement, the Fund will pay to OCGS fees similar to what was previously paid by the Fund to the Responsible Entity.
- The Responsible Entity appointed Certane Pty Ltd AFSL Number 258829 on 16 December 2020 as Custodian of Fund assets but limited to general authority investor application funds. The Custodian duties and obligations are set out in a Custody Agreement.
- The Fund may from time to time rely on the value of property based on the most recent municipal rates notice valuation where the value of the loan is 40% or less represented by the municipal rates notice valuation.

Aside from the abovementioned changes to the PDS, 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 Fund, the results of those operations, or the state of affairs of the Fund, in future financial years.

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RESPONSIBLE ENTITY'S REPORT

Interests of the Responsible Entity

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

	2021 $	2020 $
■ Management fees, application fees, mortgage management fees, research fees, release fees, default interest and default management fees for the year, paid and payable to Oak Capital Mortgage Fund Ltd	3,483,054	2,167,802

Associates of the Responsible Entity had $232,672 (2020: $61,988) invested in the Fund at year-end on normal terms and conditions.

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 Fund's constitution the Responsible Entity, including its officers and employees, is indemnified out of the Fund'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 Fund.

The Fund has not indemnified any auditor of the Fund.

Insurance premiums

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

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 2021.

Signed in accordance with a resolution of the directors of Oak Capital Mortgage Fund Ltd.

Stephen Mitchell
Director

Melbourne
Date: 22nd September 2021

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

To the Directors of Oak Capital Mortgage Fund Limited, the Responsible Entity of Oak Capital Mortgage Fund

I declare that, to the best of my knowledge and belief, in relation to the audit of Oak Capital Mortgage Fund for the financial year ended 30 June 2021 there have been:

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

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

KPMG

KPMG

Adam Twemlow

Partner

Gold Coast

22 September 2021

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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	2021 $	2020 $
Assets			
Cash and cash equivalents	7(a)	4,914,647	8,579,948
Interest and other receivables	8	209,377	334,701
Loans receivable	8	66,596,087	47,841,950
Other assets	9	4,260,454	398,761
Total assets		75,980,565	57,155,360
Liabilities			
Distribution payable	10	27,308	263,378
Manager fees payable	11	266,282	105,417
Interest received in advance		2,228,861	782,959
Other payables		200,000	2,950
Total liabilities (excluding net assets attributable to unitholders)		2,722,451	1,154,704
Net assets attributable to unitholders - Liability		73,258,114	56,000,656
Net assets		-	-
Equity		-	-

The accompanying notes are an integral part of these financial statements

OAK CAPITAL MORTGAGE FUND
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 $	2020 $
Revenue			
Interest income – mortgage loans	5	4,543,370	4,041,279
Default interest income – mortgage loans	5	706,487	203,213
Application fees – mortgage loans	5	1,147,221	986,587
Other income	5	658,524	309,783
Net investment income		7,055,602	5,540,862
Expenses			
Application fees paid to Responsible Entity		1,068,972	939,731
Management fees paid to Responsible Entity	11	905,264	625,378
Reimbursement of expenses to Responsible Entity		1,508,818	602,693
Operating expenses before financing costs		3,483,054	2,167,802
Operating profit before finance costs		3,572,548	3,373,060
Finance costs			
Distribution expense to unitholders	10	3,572,548	3,373,060
Net profit		-	-
Other comprehensive income		-	-
Total comprehensive income		-	-

The accompanying notes are an integral part of these financial statements

OAK CAPITAL MORTGAGE FUND
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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED 30 JUNE 2021

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

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Interest received		6,821,083	3,843,111
Other revenue received		1,805,745	1,296,370
Distributions Paid		(3,808,618)	(3,283,014)
Payments for Operating Expenses		(3,600,832)	(1,521,775)
Net cash provided by operating activities	7(b)	1,217,378	334,692
Cash flows from investing activities			
Mortgage loans made		(76,858,069)	(45,856,513)
Mortgage loans repaid		54,717,932	35,907,906
Net cash used in investing activities		(22,140,137)	(9,948,607)
Cash flow from financing activities			
Proceeds from receipt of unitholder applications	4	48,679,102	26,178,420
Payments on redemption of unitholder funds	4	(31,421,644)	(14,657,101)
Net cash provided by unitholders' activities	4	17,257,458	11,521,319
Net increase in cash and cash equivalents		(3,665,301)	1,907,404
Cash and cash equivalents at 1 July		8,579,948	6,672,544
Cash and cash equivalents at 30 June	7(a)	4,914,647	8,579,948

The accompanying notes are an integral part of these financial statements

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

1. REPORTING ENTITY

Oak Capital Mortgage Fund (the 'Fund') is a registered managed investment fund under the *Corporations Act 2001*. The Fund is a for profit entity domiciled in Australia. The registered office is Level 12, 17-19 Victoria Avenue, Broadbeach, QLD 4218. The financial report of the Fund is for the year ended 30 June 2021.

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 Fund 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 22nd September 2021.

(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 Fund's functional currency.

(d) Use of judgements and estimates

Information about assumptions and estimation uncertainties that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ended 30 June 2021 are outlined below:

- Note 8 – measurement of ECL allowance for mortgaged loans and interest receivable: key assumptions in determining the ECL stage and measurement.

(e) Change in accounting policies

The Fund adopted all new standards and amendments to standards that were effective for annual period beginning after 1 July 2020. The Fund does not consider any of these standards to have a material impact on the amounts recorded or disclosed in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Fund has not early adopted any accounting standards.

(a) Financial instruments

(i) Classification of financial assets

On initial recognition, the Fund classified financial assets as 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 SPPI.

All other financial assets of the Fund 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 Fund 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 Fund'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.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(a) Financial instruments (cont.)

(i) Classification of financial assets (cont.)

Assessment whether contractual cash flows are SPPI (cont.)

In assessing whether the contractual cash flows are SPPI, the Fund 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 Fund considers:

- Contingent events that would change the amount or timing of cash flows;
- Leverage features;
- Prepayment and extension features;
- Terms that limit the Fund'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).

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Fund 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, foreign exchange gains and losses are recognised in net foreign exchange loss, 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 liabilities 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 measured 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(a) Financial instruments (cont.)

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

The Fund 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.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund 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 Fund's historical experience and informed credit assessment and including forward-looking information.

The Fund considers that the credit risk on a financial asset has increased significantly if the loan has been deemed to be in default.

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

- The borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund 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 Fund 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 Fund expects to receive).

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(a) Financial instruments (cont.)

(v) Impairment (cont.)

Credit-impaired financial assets

At each reporting date, the Fund 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 Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(vi) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or the Fund 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 Fund 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 Fund is recognised as a separate asset or liability.

The Fund 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 Fund 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 Fund 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(a) Financial instruments (cont.)

(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 Fund 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.

(b) Income from mortgage loans

Interest income and application fees are recognised in the statement of comprehensive income as it accrues, using the original effective interest rate of the instrument 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) Contributions from Manager

Contributions from the Manager are measured at the fair value of the consideration received or receivable. Income is recognised when the consideration can be measured reliably and recovery is considered probable.

(d) Expenses

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

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(e) Distribution and taxation

Under current legislation, the Fund is not subject to income tax as the taxable income (including assessable realised capital gains) is distributed in full to the investors. The Fund fully distributes its distributable income, calculated in accordance with the Fund 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 Fund is not subject to capital gains tax.

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

(f) Redeemable units

All redeemable units issued by the Fund 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 Fund is contractually obliged to redeem units at redemption price.

(g) Finance costs

Distributions paid and payable on investor funds are recognised in the statement of comprehensive income 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) Change in net assets attributable to investors

Non-distributable income, which may comprise unrealised changes in the fair value of investments, net capital losses, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(j) Unit price

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

(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 2021, none of which have been applied in preparing these financial statements as they are not considered relevant to the Fund.

4. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY

The Fund manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

The objective of the Fund is to provide unitholder's with returns in accordance with the Constitution and the Product Disclosure Statement ("PDS"). The Fund aims to deliver this objective mainly through investing in mortgage loans in accordance with limitations set by the PDS. The Fund is not subject to any externally imposed capital requirements. As the Fund is a contributory mortgage fund, the liability to investors by the Fund is limited to the extent of their interest in specific mortgage loans and receivables, which have been included as assets of the Fund.

	2021	2020
	$	$
Opening balance	56,000,656	44,479,337
Applications	48,679,102	26,178,420
Redemptions	(31,421,644)	(14,657,101)
Closing balance	73,258,114	56,000,656
Units on issue	73,258,114	56,000,656

The beneficial interest of unitholders under the Fund's Constitution are divided into units, at $1 per unit per PDS. The units issued are matched to the specific loan investment and receivable to which they relate.

All units in the Fund are of the same class and carry equal voting rights. The rate of distribution paid to each investor is set out at the time of entering into the loan investment. The average distribution rate as at 30 June 2021 was 6.48% (2020: 6.71%).

Refer to Note 12 for Liquidity risk.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

5. REVENUE

	2021	2020
	$	$
Interest income arises from:		
Interest income – mortgage loans	4,543,370	4,041,279
Default interest income – mortgage loans	706,487	203,213
Application fees – mortgage loans	1,147,221	986,587
Other income	658,524	309,783
Mortgage Loans	7,055,602	5,540,862

6. AUDITOR'S REMUNERATION

	2021	2020
	$	$
Audit fees paid by the Responsible Entity on behalf of the Fund:		
Audit services		
Audit and review of the financial report	45,900	44,800
Other regulatory audit services	8,500	8,350
	54,400	53,150
Other services		
Other fees paid by the Responsible Entity on behalf of the Fund:		
Other services	-	-

7a. CASH AND CASH EQUIVALENTS

	2021	2020
	$	$
Current balances with banks	4,914,647	8,579,948

7b. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES

	2021	2020
Operating Profit Attributable to Unitholders	-	-
Changes in Assets and Liabilities:		
(Increase) / Decrease in Interest and other receivables	125,324	(81,164)
(Increase) / Decrease in Other Assets	(475,693)	(18,501)
Increase / (Decrease) in Trade and Other Payables	121,844	754,573
Increase / (Decrease) in Fees received in advance	1,445,903	(320,216)
Cash inflows from operating activities	1,217,378	334,692

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

8. MORTGAGE LOANS AND INTEREST RECEIVABLE

	2021	2020
Interest receivable	**$**	**$**
Interest receivable	209,377	334,701
Provision for expected credit losses	-	-
	209,377	334,701
Mortgage loans		
With contractual terms:		
Maturing < 1 year	56,987,776	42,396,908
Maturing > 1 year	9,608,311	5,445,042
Mortgage loans before impairment loss	66,596,087	47,841,950
Provision for expected credit losses	-	-
	66,596,087	47,841,950

For information about the Fund's exposure to credit risk, see Note 12.

9. OTHER ASSETS

	2021	2020
	$	**$**
Monies in transit	3,386,000	-
Other	874,454	398,761
	4,260,454	398,761

Monies in transit includes funds transferred prior to, and held by solicitors at, 30 June 2021, in respect of loans that were subsequently settled on 1 July 2021.

10. DISTRIBUTIONS PAID AND PAYABLE

	2021	2020
	$	**$**
Distributions paid	3,545,240	3,109,682
Distributions payable	27,308	263,378
	3,572,548	3,373,060

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

11. MANAGEMENT FEES

	2021	2020
	$	**$**
Management Fees paid	638,982	519,961
Management Fees payable	266,282	105,417
	905,264	625,378

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

12. FINANCIAL INSTRUMENTS

The Fund'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 Fund's investment strategy per the PDS is to invest in first and/or second mortgages and/or mortgages protected by caveat over real property over commercial, rural, industrial 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 Fund's portfolio of assets to achieve the Fund's investment objectives.

The Fund'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 Fund are discussed below. This note presents information about the Fund's exposure to each of the above risks, the Fund'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 Fund's risk management framework.

The Board has established a Lending Committee, which is responsible for developing and monitoring the Fund'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 Fund, 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 Fund's activities. The Fund, 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 Lending Committee monitors compliance with the Fund's risk management strategies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund.

As the Fund is a contributory mortgage fund, the risk of losses from the loans are attributable directly to the unitholders in that loan.

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

12. FINANCIAL INSTRUMENTS (cont.)

Market risk

Market risk is the risk that changes in market prices, such as interest rates and property values will affect the Fund's income. Market risk embodies the potential for both losses and gains. The objectives of market risk management are to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Fund's strategy on the management of the investment risk is driven by the Fund's investment objective. The Fund's investment strategy per the PDS is to invest in first and second mortgages and/or mortgages protected by caveat over real property predominantly over residential, commercial, industrial and rural properties including properties which require construction or development funding.

Market risk is managed by the lending committee who meet regularly to monitor and review interest rates and property values.

Interest rate risk

The majority of the Fund's financial assets are interest bearing. Interest bearing financial assets and financial liabilities have variable interest rates and/or mature in the short term. As a result, the Fund 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 Fund's interest rate risk is managed on a regular basis by members of the lending committee in accordance with policies and procedures in place. The Fund's overall interest rate risks are monitored by the Board of Directors.

Interest rate profile

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

	Carrying amount 2021 $	Carrying amount 2020 $
Variable rate instruments		
Financial assets	4,914,647	8,579,948
Financial liabilities	-	-
	4,914,647	8,579,948
Fixed rate instruments		
Financial assets	66,596,087	47,841,950
Financial liabilities	73,258,114	56,000,656
	(6,662,027)	(8,158,706)

Cash flow sensitivity analysis for variable rate instruments

A change in 100 basis points in interest rates throughout the year would have increased/(decreased) profit or loss by $49,146 (2020: $85,799)

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

12. FINANCIAL INSTRUMENTS (CONT.)

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 Fund. The Fund has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Fund's maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2021	**2020**
Loans and receivables	66,596,087	47,841,950
Cash and cash equivalents	4,914,647	8,579,948
Interest receivable	209,377	334,701
Monies in transit	3,386,000	-
	75,109,111	56,756,599

Mortgage loans

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

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

	Carrying amount	
	2021	**2020**
Queensland	1,515,222	5,023,588
New South Wales	16,288,456	20,161,140
Victoria	44,713,557	19,364,388
Australian Capital Territory	390,240	348,027
South Australia	3,688,612	2,944,807
	66,596,087	47,841,950

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

	Carrying amount	
	2021	**2020**
Vacant Land - Residential	225,000	-
Property – Commercial	4,043,390	241,913
Property – Residential	58,315,343	45,803,654
Property – Industrial	3,228,966	1,796,383
Property – Rural	783,388	-
Totals	66,596,087	47,841,950

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

12. FINANCIAL INSTRUMENTS (CONT.)

Credit risk (cont.)

Amounts arising from ECL

The amount of impairment allowance on mortgaged loans and interest receivables as at 30 June 2021 amounts to $nil (2020: $nil).

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

	2021 $	2020 $
Balance at 1 July	-	-
Provision for expected credit losses recognised	-	-
Expected credit losses realised on loans repaid	-	-
Balance at 30 June	-	-

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

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

	Gross 2021	ECL 2021	Gross 2020	ECL 2020
Not past due	64,302,293	-	43,943,988	-
Past due 0-30 days	241,913	-	831,511	-
Past due 31-120 days	2,051,881	-	1,238,925	-
Past due 121 days to one year	-	-	1,280,696	-
More than one year	-	-	546,830	-
	66,596,087	-	47,841,950	-

The Fund's mortgage investments are secured by a registered first and/or second mortgages and/or mortgages protected by caveat over real property, which predominantly includes residential, commercial, rural and industrial properties. The Fund's strategy is to invest in mortgage loans with a maximum initial lending ratio of up to 80%. Credit risk for mortgage loans is mitigated by the Fund establishing mortgage procedures included in mortgage lending manual which requires the lending committee to 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 lending committee monitors mortgage investments on a regular basis.

At 30 June 2021, the Responsible Entity reviewed the carrying amount of mortgage loans of the Fund in order to identify whether any loans may be impaired.

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

12. FINANCIAL INSTRUMENTS (CONT.)

Credit risk (cont.)

In assessing whether mortgage loans were impaired, the Responsible Entity's considerations included but were not limited to:

- Valuations of security properties completed by registered valuers;
- Actual sales prices realised on completed projects
- Estimated time to realise mortgage loans; and
- Estimated costs to complete construction or development.

As a result of this review, the Responsible Entity did not record any impairment losses in respect of mortgage loans.

The Fund's manager analyses credit concentration based on the mortgage loan type and geographical location of the financial assets the Fund holds.

The Fund has exposure to certain mortgage investments that individually exceed 5% of the net assets attributable to unitholders. Details of these loans are set out in the following table.

Total Principal 2021 $	**Estimated value of security property $**	**Gross 2021 Estimated Loan to Value Ratio**	**Method of assessing value**
3,341,382	8,500,000	39%	As Is Independent Valuation
3,566,000	5,950,000	60%	As Is Independent Valuation
3,565,000	5,490,000	65%	As Is Independent Valuation

Total Principal 2020 $	**Estimated value of security property $**	**Gross 2020 Estimated Loan to Value Ratio**	**Method of assessing value**
2,518,841	9,500,000	27%	As Is Independent Valuation
3,003,939	8,500,000	35%	As Is Independent Valuation
3,447,589	5,568,182	62%	As Is Independent Valuation
2,451,544	4,145,455	59%	As Is Independent Valuation

Property value risk

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

The Fund'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%.

OAK CAPITAL MORTGAGE FUND
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

12. FINANCIAL INSTRUMENTS (CONT.)

Credit risk (cont.)

Property value risk (cont.)

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 impacts of COVID-19, 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 Fund is a contributory mortgage Fund, loan losses are attributable directly to the investors in a loan.

Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund'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 Fund's reputation.

In accordance with the Constitution and the Product Disclosure Statement ("PDS"), as the Fund 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 redeemed if an alternative investor can be found.

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

- Offering investments with fixed maturity terms of usually 3 to 12 months;
- Lending to borrowers with first and/or second mortgage security for periods generally not exceeding 12 months only where borrowers meet the Fund's lending criteria; and
- Having the ability under the Fund's Constitution and Product Disclosure Statement to only pay redemptions upon the repayment of the applicable mortgage loans.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

12. FINANCIAL INSTRUMENTS (CONT.)

Liquidity risk (cont.)

The following are the contractual maturities of financial liabilities, excluding interest payments and excluding the impact of netting agreements:

2020	Carrying value $	Contractual cash flows $	0-3 months $	3-6 months $	6-12 months $	Greater than 12 months $
Members distributions payable	263,378	263,378	263,378	-	-	-
Other payables	2,950	2,950	2,950	-	-	-
Manager fees payable	105,417	105,417	105,417	-	-	-
Net assets attributable to investors	56,000,656	56,000,656	23,046,828	10,342,979	17,165,807	5,445,042
TOTAL	56,372,401	56,372,401	23,418,573	10,342,979	17,165,807	5,445,042

2021	Carrying value $	Contractual cash flows $	0-3 months $	3-6 months $	6-12 months $	Greater than 12 months $
Members distributions payable	27,308	27,308	27,308	-	-	-
Other payables	200,000	200,000	200,000	-	-	-
Manager fees payable	266,282	266,282	266,282	-	-	-
Net assets attributable to investors	73,458,114	73,458,114	23,846,167	33,121,815	6,881,820	9,608,312
TOTAL	73,951,704	73,951,704	24,339,757	33,121,815	6,881,820	9,608,312

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

12. FINANCIAL INSTRUMENTS (CONT.)

Liquidity risk (cont.)

Under the Fund's Constitution the ability of the Manager to pay a distribution or meet withdrawal request is dependent on the relevant borrower to the Loan Investment complying with the terms and conditions of the Loan Investment. An investment in the Fund is not capital or income guaranteed.

The impacts of COVID-19 on the Australian economy and property market may result in net assets attributable to investors being realised outside of current contractual terms.

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund'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 Fund's operations.

The objective of the Responsible Entity of the Fund is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund'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. This responsibility is supported by the development of standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties and monitoring of transactions compliance with regulatory and other legal requirements;
- Requirements for the reconciliation and monitoring of transactions compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

Fair values

Fair values versus carrying amounts

The Directors consider that the fair value of financial assets and liabilities of the Fund are represented by their approximate their carrying amount given their variable interest rates and/or short terms to maturity.

13. RELATED PARTIES

Responsible Entity

The Responsible Entity of Oak Capital Mortgage Fund during the financial year was Oak Capital Mortgage Fund Limited (ABN 51 161 407 058).

Key management personnel

The Fund does not employ people in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Fund 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:

Name	**Period of directorship**
Stephen Mitchell	1 July 2020 to present
Peter Flanders	1 July 2020 to 30 September 2020
Janai Hunter	1 July 2020 to present
Craig Robertson	30 September 2020 to present

The Responsible Entity is entitled to a management fee up to 5.22% p.a of net asset value of the fund and a reimbursement of expenses of up to 1.47% p.a. of the net asset value of the fund.

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

Related party investments held by the Fund

The Fund has no investment in the key management personnel related parties or their associates (2020: nil).

Key management personnel loan disclosures

The Fund 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 (2020: nil).

Other transactions within the Fund

The Responsible Entity invested $200,000 into a loan, which was replaced by an unrelated investor just prior to 30 June 2021. The $200,000 was repaid to the Responsible Entity on 1 July 2021.

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund since the end of the previous year and there were no material contracts involving such interests subsisting at year end (2020: nil).

From time to time directors of the Responsible Entity, or their director-related entities, may invest or withdraw from the Fund. These investments or withdrawals are on the same terms and conditions as those entered into by the other Fund investors.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

13. RELATED PARTIES (CONT.)

Related party transactions

The following fees were paid by the Fund to the Responsible Entity during the financial year:

	2021 $	2020 $
Management fees, application fees, mortgage management fees, research fees, release fees, default interest and default management fees for the year, paid and payable to the Responsible Entity,	3,483,054	2,167,802

Members investing activities

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

Year ended	Value of investment at 1 July $	Value of investment at year end $	Amount invested during the year $	Amounts withdrawn during the year $	Distributions paid $
30 June 2021					
Oak Capital Mortgage Fund Ltd	21,988	97,672	8,170,492	8,094,808	4,177
Gregory Mitchell	40,000	-	-	40,000	28
Malcom Chalmers	20,000	-	-	20,000	239
Glynis Mitchell	-	45,000	45,000	-	715
Paul Wright & Alana Ginnivan	-	20,000	20,000	-	287
Mark & Tracey Stuart	-	30,000	30,000	-	166
Ian Gray	-	40,000	40,000	-	378
30 June 2020					
Oak Capital Mortgage Fund Ltd	299,983	21,988	15,610	293,605	5,147
Melamy Holdings	60,000	-	-	60,000	1,285
First Mortgage Capital	142,163	-	1,332,971	1,475,134	6,748
Gregory Mitchell	-	40,000	40,000	-	3,409
Malcolm Chalmers	-	20,000	20,000	-	1,069

These investments are on normal terms and conditions as provided to other members. Oak Capital Mortgage Fund Ltd invests in the Fund from time to time on a short-term basis to provide sufficient funds for certain mortgage investments to be fully funded. These investments are withdrawn when other investors' funds are obtained.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

14. CONTINGENCIES

There are no contingent liabilities as at 30 June 2021 or 30 June 2020.

15. EVENTS SUBSEQUENT TO REPORTING DATE

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

The Directors continue to assess the impacts of COVID-19 on the Fund's operations and have concluded that there is no significant adverse impact expected on the net cash flows or carrying values of the assets. The Directors continue to monitor the impacts on COVID-19 on the Fund's operations.

OAK CAPITAL MORTGAGE FUND
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DIRECTORS' DECLARATION

In the opinion of the directors of Oak Capital Mortgage Fund Limited, Responsible Entity of Oak Capital Mortgage Fund:

1. The financial statements and notes set out on pages 6 to 30, are in accordance with the *Corporations Act 2001*, including:

    (a) giving a true and fair view of the financial position of the Fund as at 30 June 2021, 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 Fund 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 Oak Capital Mortgage Fund Limited.

Dated at Melbourne this 22nd day of September 2021.

Stephen Mitchell
Director
Melbourne

KPMG

Independent Auditor's Report

To the members of Oak Capital Mortgage Fund

Opinion

We have audited the ***Financial Report*** of the Oak Capital Mortgage Fund (the Scheme).

In our opinion, the accompanying ***Financial Report*** of the Oak Capital Mortgage Fund 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 2021, 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 2021
- 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 relevant ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code). We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in the Oak Capital Mortgage Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Oak Capital Mortgage Fund 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 Directors for the Financial Report

The Directors of Oak Capital Mortgage Fund Limited (the Responsible Entity) are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Scheme's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Adam Twemlow
Partner

Gold Coast
22 September 2021

How can we help?

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