The CKM Mortgage Trust

Report by Directors of the Responsible Entity

The directors of Sydney Wyde Mortgage Management Limited, the responsible entity of The CKM Mortgage Trust ("the Trust"), present their report together with the financial report of the trust for the year ended 31 March 2019 and the auditors report thereon.

Responsible entity, domicile and legal form

Sydney Wyde Mortgage Management Limited was appointed as the Responsible Entity of the Trust on 1 July 2016.

The registered office and principal place of business of the responsible entity and the trust is Suite 506, Level 5, 35-45 Spring Street, Bondi Junction, NSW, Australia. The CKM Mortgage Trust is a unit trust and registered scheme in terms of the Corporations Act 2001.

Directors

The directors of Sydney Wyde Mortgage Management Limited in office at any time during or since the end of the year are:-

Name	Age	Experience
Timothy Richard Stoyles	46	Diploma Financial Services (Financial Planning), Diploma Mortgage Lending, Bachelor of Business (UTS) majoring in accounting and banking, MFAA Membership, SINSIA Senior Associate. Tim is the business development manager and responsible for the origination and assessment of mortgage investment proposals. He is responsible for the arrangement of mortgage investments between brokers and the trust. He instructs panel Solicitors and organises settlement of trust approved loans.
Michael John Bray	74	Held full practicing certificate for the past 43 years and has conducted a commercial law practice in Double Bay for the past 41 years. Has acted as a panel Solicitor for Advance Bank, State Bank, St George and a number of Co-op Building Societies. Currently Chairman of Meals on Wheels Woollahra and was instrumental in incorporating the Colostomy Association of NSW and the Burns Support Foundation of NSW and the Iron Curtain Foundation. Also appointed by Attorney General as arbitrator in district court of NSW. Also acted as Justice of the Peace for the past 45 years and qualified also as a Notary Public.
Derek Ranier Martin	45	As Chief Claims Officer for Global Corporate his role involves the provision of strategic, technical and market facing claims leadership, direction, co-ordination and support across all lines of the general insurance business. This includes the technical oversight of large losses, attritional losses, case reserving and exposure management, provision of financial Authority, technical talent development and training, industry representation and the implementation of best practices across all APAC Countries which include Australia, NZ, Indonesia, Singapore, Malaysia, Vietnam, Thailand, The Philippines, Hong Kong, Taiwan, Japan, China and Korea.

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

The following persons held the position of company secretary at the end of the financial year:-

Timothy Richard Stoyles

The CKM Mortgage Trust

Report by Directors of the Responsible Entity

Principal activities

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

Operating results

The profit for the year ended 31 March 2019 was $6,534,819 (2018: $5,692,924). This represented an annual return to unitholders of approximately 8.15%. In the first half of the year the earning rate was approximately 4.03%, and in the second half of the year it was approximately 4.12%.

The return to investors is affected by many factors including the interest rates we are able to charge to borrowers, the movement in cash rates set by the Reserve Bank of Australia, the rates charged by other mortgage lenders, the amount of cash held by the trust and the general state of the economy.

It is expected that the net annual return to investors will continue to vary in accordance with changes in cash rates and the other factors mentioned above.

Review of operations

The objective of the Manager is to conduct the Trust efficiently, minimise risk, provide investors with a satisfactory return that is higher than average cash rates (Reserve Bank of Australia target cash rates) and to manage the mortgage investments in such a way as to minimise variations in the capital value of investors' units.

In reviewing the Trust's operations throughout the 2019 year there are several factors which had a significant impact on the performance of the Trust. These can be categorised under the following headings:-

Loans:

During the year the directors have maintained their conservative lending criteria. Our lending procedures have always included the consideration of loans against the proper valuation of the security property as carried out by an independent panel valuer instructed by us. We will continue to fund only first mortgages up to a maximum loan to valuation ratio not exceeding 66.67%.

The trust continues to receive good loan enquiries. However it is imperative that we adhere to our conservative lending criteria to ensure that we approve quality loans, receive interest rates that reflect proper risk premiums and maintain lower loan to valuation ratios.

Cash:

During the year unitholders funds increased by $5,835,500, loans increased by $8,884,260 and cash and cash equivalents decreased from $4,399,201 to $2,035,380.

At 31 March 2019 the cash and cash equivalents were 2.45% (2018: 5.71%) of the net assets of the trust. The directors are managing the level of cash to ensure all monthly redemption requests are met and also making every effort to place surplus funds in mortgage investments that meet our strict, conservative lending criteria and maximise the return to investors.

At 31 March 2019 cash and cash equivalents were $2,035,380. The return on the cash invested with banks is of course significantly less than our mortgage lending rates.

Financial position

Unitholders' funds have increased from $77,087,500 at 31 March 2018 to $82,923,000 at 31 March 2019.

Significant changes in state of affairs

Apart from matters referred to in this report, the directors do not consider there were any significant changes in the state of affairs during the year ended 31 March 2019.

After balance sheet events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the trust, the results of those operations, or the state of affairs of the trust in subsequent financial years.

Future developments, Prospects and Business Strategies

The directors believe that the trust is in a strong and stable position.

The directors intend to continue to conduct the affairs of the mortgage trust in an efficient manner satisfactory to the members of the trust.

Environmental issues

The trust's operations may be subject to environmental regulation under the law of the Commonwealth and New South Wales. The directors are not aware of any environmental issues affecting the present operation of the trust.

Auditor's independence declaration

The auditor's independence declaration under section 307C is attached.

Directors emoluments

No emoluments were paid to the directors by the trust out of scheme property.

Indemnities and insurance premiums

No indemnities have been given nor insurance premiums paid during or since the end of the year for a person who is or has been an officer or auditor.

Special rules for registered schemes

a) Sydney Wyde Mortgage Management Limited was appointed as the Responsible Entity of the Trust on 1 July 2016 after the resignation of CKM (Mortgages) Limited.

b) Fees paid by the trust to Sydney Wyde Mortgage Management Limited out of the scheme property during the financial year amounted to $877,800 (2018: $779,045) after deducting reduced input tax credits for GST.

c) Sydney Wyde Mortgage Management Limited held interests in the trust at the end of the financial year of $608,000 (2018: $561,500). Its associates did not hold interests in the trust at the end of the financial year.

d) 18,547,000 units in the trust were issued during the financial year. A further 2,345,000 units were issued at 30 September and 2,475,500 units were issued at year end as re-investment of distributions to unitholders.

e) 17,532,000 units in the trust were redeemed during the financial year;

The CKM Mortgage Trust

Report by Directors of the Responsible Entity

f) The value of the trust's assets as at the end of the financial year was $85,871,603 (2018: $78,875,508), and the basis of valuation is the carrying amount of those assets, net of any loss on loan defaults, as disclosed in the balance sheet and notes to and forming part of the financial statements; and

g) The number of units in the trust as at the end of the financial year was 82,923,000 units (2018: 77,087,500) of $1 each.

Signed in accordance with a resolution of the Board of Directors of the Responsible Entity.

Director ....
T R Stoyles

Director ....
M J Bray

Dated this 30 day of April 2019

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY KIERAN GOULD TO THE DIRECTORS OF SYDNEY WYDE MORTGAGE MANAGEMENT LIMITED

As lead auditor of The CKM Mortgage Trust for the year ended 31 March 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

Kieran Gould
Partner

BDO East Coast Partnership

Sydney, 30 April 2019

The CKM Mortgage Trust

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2019

	Note		2019 $	2018 $
Revenue				
Interest - loans on mortgage			7,398,074	6,351,454
Interest - additional for late payment			137,851	119,526
Interest - additional for early repayment			2,359	28,865
Interest - other			71,094	43,741
Interest - application fees			723,730	621,005
	4		8,333,108	7,164,591
Expenses				
Application fees		723,730		621,005
Audit fees	6	28,913		25,249
Bank charges		798		1,026
Compliance committee fees		17,110		16,400
Credit reference fees		3,129		2,257
Custodian bank fees		32,810		17,004
Filing & registration fees		7,483		1,176
Impairment expense		104,978		-
Legal expenses		-		7,175
Managers fees	7	877,800		779,045
Web hosting fees		1,538		1,330
			1,798,289	1,471,667
Profit for the year			6,534,819	5,692,924
Other comprehensive income for the year, net of tax			-	-
Total comprehensive income for the year			6,534,819	5,692,924

The accompanying notes form part of these financial statements

The CKM Mortgage Trust

Statement of Financial Position
as at 31 March 2019

	Note		2019 $	2018 $
Assets				
Cash and cash equivalents				
Cash at bank		1,292,547		4,399,199
Cash held in Solicitors Trust Account		742,833		-
			2,035,380	4,399,199
Receivables				
Trade debtors	9	645,123		155,323
GST refundable		16,447		32,986
Other debtors		2,393		-
			663,963	188,309
Financial assets				
Loan assets – amortised cost	10		83,172,260	74,288,000
Total assets			85,871,603	78,875,508
Liabilities				
Payables				
Trade creditors		276,182		251,316
Income received in advance		1,722,957		932,393
Distribution payable		949,464		604,299
Total liabilities			2,948,603	1,788,008
Net assets			82,923,000	77,087,500
Equity				
Net assets attributable to unitholders - units of $1 each	11		82,923,000	77,087,500

The CKM Mortgage Trust

Statement of Cash Flows
for the year ended 31 March 2019

	2019 $	2018 $
Cash flows from operating activities		
Receipts of income	7,910,142	6,978,670
Payments for expenses	(1,035,547)	(851,529)
Net cash flows from operating activities	6,874,595	6,127,141
Cash flows from investing activities		
Payments for loans on mortgage	(63,799,260)	(61,637,000)
Proceeds from repayments of loans on mortgage	54,915,000	52,872,200
Net cash flows from/(used by) investing activities	(8,884,260)	(8,764,800)
Cash flows from financing activities		
Proceeds from issue of trust units	15,381,000	13,517,500
Payments for redemption of trust units	(14,366,000)	(6,412,000)
Payments for distribution of trust income	(1,369,154)	(1,642,160)
Net cash flows from financing activities	(354,154)	5,463,340
Net increase (decrease) in cash and cash equivalents	(3,106,652)	2,825,681
Cash and cash equivalents at start of year	4,399,199	1,573,518
Cash and cash equivalents at end of year	2,035,380	4,399,199

Notes to statement of cash flows

1. Reconciliation of cash
For the purpose of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:-

	2019	2018
Cash and cash equivalents	2,035,380	4,399,199

2. Net cash flows from operating activities reconciliation to profit

	2019	2018
Profit before distribution to unitholders	6,534,819	5,692,924
Changes in assets and liabilities:		
Decrease/(Increase) in trade debtors	(489,800)	(60,529)
Decrease/(Increase) in GST refundable	16,539	(18,204)
Decrease/(Increase) in other debtors	(2,393)	-
Increase/(Decrease) in trade creditors	24,866	17,337
(Decrease)/Increase in income received in advance	790,564	495,613
Net cash provided by operating activities	6,874,595	6,127,141

The CKM Mortgage Trust

Statement of Changes in Equity
for the year ended 31 March 2019

	31 March 2019			31 March 2018		
	Unitholders funds	Undistributed income	Total equity	Unitholders funds	Undistributed income	Total equity
	$	$	$	$	$	$
Opening balance	77,087,500	-	77,087,500	65,582,500	-	65,582,500
Net profit (loss) for year	-	6,534,819	6,534,819	-	5,692,924	5,692,924
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	77,087,500	6,534,819	83,622,319	65,582,500	5,692,924	71,275,424
Transactions with unitholders						
Applications	23,367,500	-	23,367,500	18,630,500	-	18,630,500
Redemptions	(17,532,000)	-	(17,532,000)	(7,125,500)	-	(7,125,500)
Distributions paid	-	(6,534,819)	(6,534,819)	-	(5,692,924)	(5,692,924)
Closing balance	82,923,000	-	82,923,000	77,087,500	-	77,087,500

Fair Values of financial assets and liabilities

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The market for a financial asset or financial liability is not active, accordingly fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

The values derived from applying these techniques are affected by the choice of valuation used and the underlying assumptions made regarding inputs such as timing and amounts of future cash flows, credit risk and volatility.
Financial instruments measured at fair value are categorised in their entirety, in accordance with the levels of the fair value hierarchy as outlined below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities:

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.
The following methods and significant assumptions have been applied in determining the fair values of financial assets and financial liabilities:

- The fair value of Loans and receivables, is estimated by discounting the future contractual cash flows at the current market interest rates for mortgage loans with similar risk profiles. The loans and receivables are categorised as level 3 in the fair value hierarchy.

- For financial assets the determination of fair value included credit risk (i.e. the premium over the base interest rate), interest repayment history, credit quality of the borrower, the quality of the security held and the loan to valuation ratio.

(h) Financial assets past due or impaired

As at balance date the trust had the following loans and receivables with interest past due but not impaired:

	2019			2018		
	Number of assets	Gross asset value $	Impairment $	Number of assets	Gross asset value $	Impairment $
Past due 0-30 days	1	959,460	-	4	5,076,445	-
Past due 31-60 days	1	490,059	-	2	2,174,910	-
Past due 61-90 days	-	-	-	1	901,868	-
Past due 90 days to one year	8	9,974,061	-	-	-	-
More than one year	-	-	-	-	-	-
	10	11,423,580	-	7	8,153,223	-

The proportion of loans and receivables with interest past due in relation to the total trust mortgages is 13.07% (2018: 10.87%) by value and 18.18% (2018: 17.5%) by number of loans.

A loan is considered to be in default if interest is not received within 3 days after the due date for payment and that interest payment is still outstanding.

A loan may also be considered to be in default if the borrower, while continuing to pay all interest payments within the time provided, has not repaid the loan as at the due date. As at 31 March 2019, the trust had 2 (2018: 1) such loans with a total value of $1,753,000 (2018: $1,750,000). This amount represented 2.11% (2018: 2.36%) of the value of the trust's loan portfolio. These loans do not include the loans described in relation to the late payment of interest. In each of these cases, the manager is awaiting variations of mortgage to extend the term, or awaiting repayment of the loans. Interest payments have continued to be made on these loans and the mortgage securities remain in place.

The Responsible Entity monitors all. mortgage defaults on an ongoing basis, which is reported monthly to the Board of Directors.

Impairment of the individual loans and receivables has been considered based on the equity in the security held and accounted for as required. The directors do not consider that there are any impaired Loans and Receivables (loans on mortgage).

(i) Unitholders' funds

The trust has issued one class of units only. The units of $1 each are fully paid, and there are no special rights, preferences or restrictions attaching to any unit.

	2019 $	2018 $
Number of units on issue at beginning of the reporting period	77,087,500	65,582,500
Number of units issued during the reporting period	18,547,000	14,194,000
Number or units issued during the reporting period upon reinvestment of distribution	4,820,500	4,436,500
Number of units redeemed during the reporting period	(17,532,000)	(7,125,500)
Number of units on issue as at the end of the reporting period	82,923,000	77,087,500

Capital Risk Strategy

The trust considers its capital to be Unitholders' Funds. The trust manages its net assets attributable to unitholders as capital.

The objective of the trust is to provide unitholders with returns in accordance with the Product Disclosure Statement ("PDS"). The trust aims to deliver this objective mainly through investing in loans and receivables in accordance with the limitations set by the PDS.

The trust strives to invest in products that meet the trusts investment objectives while maintaining sufficient liquidity to meet unitholders' redemptions.

(j) Sensitivity Analysis

Interest rate risk

The trust performed a sensitivity analysis relating to its exposure to interest rate risk at balance date on cash and cash equivalents. This sensitivity analysis demonstrates the effect on the current year results which could result from a change in this risk. No sensitivity analysis has been performed on loans and receivables as the interest rate on each loan is fixed and only reviewed at each anniversary or date due for variation.

The directors have considered that the effect of volatility of interest rates within expected reasonable possible movements would not be material.

No sensitivity analysis has been performed on foreign exchange risk, as the entity is not exposed to foreign currency fluctuations.

Note 15: Commitments for expenditure

There were no commitments for expenditure at the end of the reporting period not disclosed in the financial statements.

Note 16: Goods and services tax

The income of the trust comprises interest which is not subject to GST and is input taxed. The trust is entitled to "reduced input tax credits" of 75% of the GST paid in respect of certain services that are outsourced, so that the net GST cost to the trust for these services is 2.5% and not 10%. Other payments by the trust are subject to GST and no input tax credit is allowable. Expenses are shown inclusive of the relevant amount of GST for which no input tax credit is allowed.

Note 17: New standards and interpretations issued but not yet effective

The Australian Accounting Standards Board has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the trust has decided not to early adopt.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Trust for the annual reporting period ended 31 March 2019.

The CKM Mortgage Trust

Notes to the Financial Statements
for the year ended 31 March 2019

Note 1: Reporting entity

The CKM Mortgage Trust is a registered managed investment scheme (the trust) under the Corporations Act 2001. The financial report of the trust is for the year ended 31 March 2019.

Note 2: Basis of preparation

a) Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001 as appropriate for for-profit oriented entities.

The financial statements were approved and authorised for issue by the Board of Directors of the Responsible Entity on 30 April 2019.

Note 3: Significant accounting policies

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report is presented in Australian dollars which is the Trust's functional and presentation currency.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a) Change in accounting policy

The accounting policies are consistent with those applied in the 31 March 2018 financial report.

AASB 9, Financial Instruments and AASB 15, Revenue from contracts with customers have been applied from 1 April 2018.

b) Revenue

Recognised as interest accrues using the effective interest rate method.

Revenue from interest is recognised in the income statement when the trust has the right to receive the interest in accordance with mortgage agreements and the directors are satisfied that the interest is recoverable.

AASB 15 replaces all current guidance on revenue recognition from Contracts with customers. It requires identification of discrete performance obligations within a transaction and an associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of the goods or services are transferred to the customer. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component will occur when the uncertainties around its measurement are removed.

AASB 15 also specifies the accounting treatment for costs incurred to obtain or fulfil a contract. Costs are recognised as an asset only if the entity expects to recover them. Any capitalised contract costs are amortised on a systematic basis that is consistent with the transfer of the related goods and services.

In 2016, the AASB issued clarifying amendments to AASB 15. These amendments provided additional application guidance but did not alter the underlying requirements of the standard.

The entity first applied AASB 15 in the financial year beginning 1 April 2018, as there was no impact in applying the standard no adjustment to the opening balance of retained earnings was necessary and no comparatives were restated.

AASB 15 specifically excludes financial instruments recognised under AASB 9 Financial Instruments. As such the impacted revenue streams for the trust are limited to fee-based revenue items as application fees.

The application of the requirements of AASB 15 are broadly consistent with the trust's current accounting policies.

c) Expenses

All expenses are recognised by the trust in the income statement on an accruals basis.

d) Income tax

In terms of the Income Tax Assessment Act, it is considered that the trust is not liable for income tax, and accordingly no liability has been raised for income tax. It is considered that the income will flow through to individual members who in turn will be subject to income tax in respect of their share of trust income. Income distributed to overseas residents has been subject to withholding tax.

e) Distribution to unit holders

The trust fully distributes its distributable income, calculated in accordance with the trusts constitution and applicable income tax legislation, to the unitholders who are presently entitled to the income under the constitution.

f) Cash

For the purpose of the cashflow statement, cash incudes cash at banks including at call deposits with banks.

g) Receivables

Trade debtors and other receivables are recorded at the amount contracted, or lower recoverable amount where applicable.

h) Payables

Trade creditors and other accounts payable are recognised when the trust becomes obliged to make future payments resulting from the purchase of goods and services.

i) AASB 9 Financial Instruments

AASB 9 results in changes to accounting policies for financial assets and financial liabilities covering Classification and Measurement Impairment and Hedge accounting. The trust has applied AASB 9 in the financial year beginning 1 April 2018 and it has been applied retrospectively in respect of Classification and Measurement and Impairment, with no requirement to restate comparatives. As there was no impact in applying the standard it was not necessary to adjust the opening balance sheet.

Classification and Measurement

Financial assets
AASB 9 has three classification categories for the financial assets; amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL).

The amortised cost category will be added and loans and receivables category will be removed.

The trusts will apply the following policies for the newly adopted classification categories under AASB 9.

Amortised cost

The principal activity of the trust during the financial year was the conduct of a registered mortgage scheme. The financial assets held are loans secured by first mortgages that the trust derives monthly interest from and at the end of the mortgage period the repayment of principal. Accordingly the Financial Assets will be measured at Amortised Cost.

A financial asset will be measured at amortised cost if both of the following conditions are met:

i) the financial asset is held with the objective to hold financial assets in order to collect contractual cash flows; and
ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities

The component of change in fair value of financial liabilities designated at fair value through profit or loss due to the trusts own credit risk is presented in the other comprehensive income, unless this creates an accounting mismatch. If a mismatch is created or enlarged, all changes in fair value (including the effects of credit risk) are presented in profit or loss. Under AASB 139, this component was recognised in profit or loss.

Impairment

AASB 9 replaces the incurred loss model of AASB 139 with an expected loss model, resulting in an acceleration of impairment recognition.

The impairment requirements apply to financial assets measured at amortised cost amounts receivable from contracts with customers as defined in AASB 15 Revenue from Contracts with Customers, loan commitments.

The assessment of credit risk, and the estimation of ECL, will incorporate all relevant available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable information about future events and economic conditions at the reporting dates.

The impairment allowance is intended to be more forward-looking under AASB 9.

Transition

The trust did not record a transition adjustment to the opening balance sheet, retained earnings and other comprehensive income at 1 April 2018 as there was no impact on the adoption of the classification and measurement, and impairment requirements of AASB 9.

Recognition

Financial instruments are initially measured at fair value when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party thereby the trust no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at cost, comprising original debt less redemptions.

Impairment

At each reporting date, the manager assesses whether there is objective evidence that a financial instrument has been impaired. Where it is considered an impairment has arisen, impairment losses are recognised in the income statement.

j) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the trust.

Key estimates – impairment

The trust assesses impairment at each reporting date by evaluating conditions specific to the trust that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Calculations performed in assessing recoverable amounts incorporate a number of key estimates.

k) Comparative figures

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

l) New, revised or amending Accounting Standards and Interpretations adopted

The Trust has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the Trust from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Trust.

Note 4: Revenue

	2019 $	2018 $
Application fees	723,730	621,005
Interest income from financial assets carried at amortised cost		
Interest – Loans and receivables	7,542,170	6,503,970
less trail commission received as agent for brokers	3,886	4,125
	8,262,014	7,120,850
Interest - cash and cash equivalents	71,094	43,741
	8,333,108	7,164,591

Note 5: Income tax expense

In accordance with note 3(d) above, the trust has made no provision for income tax.

Note 6: Auditors remuneration

	2019 $	2018 $
Auditing the scheme	16,913	14,249
Auditing the compliance plan	12,000	11,000
	28,913	25,249

The above amounts are exclusive of GST

Note 7: Related parties

a) Responsible entity

The responsible entity of The CKM Mortgage Trust is Sydney Wyde Mortgage Management Limited (ABN 19 090 567 150).

b) Key management personnel

The trust does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the trust and this is considered to be the key management personnel. The directors of the Responsible Entity are key management personnel of that entity and they are Timothy R Stoyles, Derek R Martin and Michael J Bray.

The manager is entitled to a management fee which is calculated as a proportion of net assets attributable to unitholders and in accordance with the trust's constitution.

During the year, the trust expensed an amount of $877,800 (2018: $779,045) after deducting reduced input tax credits for GST. At balance date an amount of $240,842 (2018: $222,412) owing to the Sydney Wyde Mortgage Management Limited was included in accounts payable.

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

c) Related party transactions

All transactions with related parties are conducted on normal commercial terms and conditions. From time to time Sydney Wyde Mortgage Management Limited and director-related entities may invest in or withdraw from the trust. These investments or withdrawals are on the same terms and conditions as those entered into by other trust investors.

d) Related party investments held by the trust

The trust has no investment in Sydney Wyde Mortgage Management Limited.

At 31 March 2019 the trust held interests of $12,919,260 (2018: $16,137,000) in 17 mortgage investments (2018: 13) in the Sydney Wyde Mortgage Fund (The Fund). The Fund is a contributory Mortgage scheme and the trust is a Syndicate Member in relation to the particular mortgage investments. The responsible entity (RE) of the Fund is Sydney Wyde Mortgage Management Limited.

As at 31 March 2019 no key management personnel held units in the Fund (2018: Nil).

e) Units in the trust held by other related parties

Related parties including entities associated with the directors of the Responsible Entity are investors in the trust, holding 608,000 units at 31 March 2019 (561,500 units at 31 March 2018). The balance of distributions payable, after reinvestment of distributions to related party investors at 31 March 2019, is $58 (2018: $63).

f) Key management personnel loan disclosures

The trust 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.

g) Other transactions within the trust

Apart from those details disclosed in this note, no director has entered into a contract with the trust since the end of the previous year and there were no contracts involving directors' interests subsisting at year end.

Note 8: Distribution paid and payable

	2019 $		2018 $	
Timing of distributions	31 Mar 19	CPU	31 Mar 18	CPU
October paid	3,109,859	4.03	2,804,123	4.17
April payable	3,424,960	4.12	2,888,801	4.03
	6,534,819	8.15	5,692,924	8.20

Note 9: Trade debtors

Included in trade debtors is the amount of interest due on loans at 31 March 2019 and unpaid at that date. All amounts are short-term. The directors evaluate the recoverability of the trade debtors at 31 March 2019. It is considered that the trade debtors are recoverable and the net carrying value of trade debtors is considered a reasonable approximation of fair value.

The trade and other debtors have been reviewed for indicators of impairment. One trade debtor was found to be impaired and an allowance for a possible loss of $104,978 (2018: Nil) has been recorded in expenses. The impaired trade debtor is due to a borrower default in paying monthly interest.

	2019 $	2018 $
Trade debtors gross	750,101	155,323
Less: Provision for debtors impairment	(104,978)	-
	645,123	155,323

The movement in the Provision for debtors impairment can be reconciled as follows:

Reconciliation of Provision for debtors impairment		
Opening balance	-	-
Impairment expense	104,978	-
Closing balance	104,978	-

An analysis of unimpaired trade receivables that are past due is given in Note 14.

Note 10: Financial assets

	2019 $	2018 $
Loan assets – amortised cost	83,172,260	74,288,000
	83,172,260	74,288,000
Maturing within 1 year	52,936,260	62,575,000
Maturing 1-5 years	30,236,000	11,713,000
	83,172,260	74,288,000

The loans and receivables are shown at the amortised cost. In the opinion of the directors, the amount is not in excess of the recoverable amount of these assets. The underlying financial instruments comprise loans secured by first mortgage, and it is considered that there are no significant terms and conditions that may affect the amount, timing and certainty of future cash flows.

Note 11: Unitholders' funds

	2019		2018	
	Units	$	Units	$
Opening balance	77,087,500	77,087,500	65,582,500	65,582,500
Units issued during the year	18,547,000	18,547,000	14,194,000	14,194,000
Units issued upon reinvestment of distribution	4,820,500	4,820,500	4,436,500	4,436,500
	100,455,000	100,455,000	84,213,000	84,213,000
Units redeemed during the year	17,532,000	17,532,000	7,125,500	7,125,500
Closing balance	82,923,000	82,923,000	77,087,500	77,087,500

Note 12: Events subsequent to reporting date

There are no matters or circumstances that have arisen since the end of the financial year that have been significantly affected or may significantly affect:-

i) the operations of the trust;

ii) the results of those operations; or

iii) state of affairs of the trust

in future financial years.

Note 13: Segment reporting

The trust operates in the mortgage sector in Australia.

Note 14: Financial instruments

(a) Financial risk management policies

The trust's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans and receivables.

i) Treasury risk management

The directors of the responsible entity meet on a regular basis to review interest rate exposure and to evaluate management strategies in the context of the most recent economic conditions and forecasts.

ii) Financial risk exposures and management

The main risks the trust is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

(b) Interest rate risk

The trust is exposed to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rate.

Mortgage rates on loans and receivables are fixed usually for a year and the directors of the responsible entity manage interest rate risk by reviewing market forecasts and movements in interest rates and adjust rates accordingly on the anniversary or due date for variation of loans.

The trust does not have any debt subject to interest rate risk.

(c) Liquidity risk

The trust is currently a non liquid scheme within the meaning of section 601KA of the Corporations Act 2001 in that less than 80% of its assets are liquid assets.

The trust manages liquidity risk by monitoring forecast cash flows and matching maturity profiles of financial assets and liabilities of the fund. The Manager has adopted internal policies and procedures for the monitoring of the liquidity of the trust on an ongoing basis, including that the trust has cash or cash equivalents sufficient to meet the trust's projected cash needs over rolling twelve month periods and to accommodate withdrawals at least up to the minimum withdrawal amount of $2,000,000 per month. All redemption requests made during the year have been met.

Trade payables are expected to be paid within 6 months.

Investor funds do not mature and withdrawal requests are made in accordance with the funds withdrawal offer.

(d) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to and forming part of the financial statements.

The ageing of the trust's receivables at the reporting date was:

	2019		2018	
	Gross $	Impairment $	Gross $	Impairment $
Not past due	18,840	-	32,986	-
Past due 0-30 days	288,313	12,458	114,593	-
Past due 31-60 days	70,938	12,458	32,139	-
Past due 61-90 days	69,735	12,459	8,566	-
Past due 90 days to one year	321,115	67,603	25	-
More than one year	-	-	-	-
	768,941	104,978	188,309	-

Receivable balances are monitored on an ongoing basis and are secured by mortgage over real property. Credit risk levels for each individual mortgage are monitored through the Loan to Value Ratio (LVR) using valuations for mortgage purposes supplied by a panel valuer.

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

(e) Price risk

The trust is not exposed to any material commodity price risk.

(f) Currency risk

The trust is not exposed to foreign currency.

(g) Net fair values

The Trust has a number of financial instruments which are not measured at fair value in the statement of financial position, including cash, receivables, financial assets and payables. The fair value of these financial assets and financial liabilities approximates their carrying amount. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:-

	2019		2018	
	Carrying amount $	Net fair value $	Carrying amount $	Net fair value $
Financial assets				
Cash and cash equivalents	2,035,380	2,035,380	4,399,199	4,399,199
Receivables	663,963	663,963	188,309	188,309
Financial assets				
- Loans and receivables	83,172,260	83,172,260	74,288,000	74,288,000
	85,871,603	85,871,603	78,875,508	78,875,508

	2019		2018	
	Carrying amount $	Net fair value $	Carrying amount $	Net fair value $
Financial liabilities				
Payables	2,948,603	2,948,603	1,788,008	1,788,008
	2,948,603	2,948,603	1,788,008	1,788,008

Collateral

The market value of first mortgage securities pledged as collateral for financial assets is $165,196,000 as at 31 March 2019 (2018: $160,490,000). This amount is based on the most recent valuations obtained for the first mortgage securities and represents a total average loan to value ratio each loan of 54.81%. However, the average loan to value ratio based on the total loans divided by the total security value as at 31 March 2019 was 50.35%.

Fair Values of financial assets and liabilities

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The market for a financial asset or financial liability is not active, accordingly fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

The values derived from applying these techniques are affected by the choice of valuation used and the underlying assumptions made regarding inputs such as timing and amounts of future cash flows, credit risk and volatility.
Financial instruments measured at fair value are categorised in their entirety, in accordance with the levels of the fair value hierarchy as outlined below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities:

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.
The following methods and significant assumptions have been applied in determining the fair values of financial assets and financial liabilities:

- The fair value of Loans and receivables, is estimated by discounting the future contractual cash flows at the current market interest rates for mortgage loans with similar risk profiles. The loans and receivables are categorised as level 3 in the fair value hierarchy.

- For financial assets the determination of fair value included credit risk (i.e. the premium over the base interest rate), interest repayment history, credit quality of the borrower, the quality of the security held and the loan to valuation ratio.

(h) Financial assets past due or impaired

As at balance date the trust had the following loans and receivables with interest past due but not impaired:

	2019			2018		
	Number of assets	Gross asset value $	Impairment $	Number of assets	Gross asset value $	Impairment $
Past due 0-30 days	1	959,460	-	4	5,076,445	-
Past due 31-60 days	1	490,059	-	2	2,174,910	-
Past due 61-90 days	-	-	-	1	901,868	-
Past due 90 days to one year	8	9,974,061	-	-	-	-
More than one year	-	-	-	-	-	-
	10	11,423,580	-	7	8,153,223	-

The proportion of loans and receivables with interest past due in relation to the total trust mortgages is 13.07% (2018: 10.87%) by value and 18.18% (2018: 17.5%) by number of loans.

A loan is considered to be in default if interest is not received within 3 days after the due date for payment and that interest payment is still outstanding.

A loan may also be considered to be in default if the borrower, while continuing to pay all interest payments within the time provided, has not repaid the loan as at the due date. As at 31 March 2019, the trust had 2 (2018: 1) such loans with a total value of $1,753,000 (2018: $1,750,000). This amount represented 2.11% (2018: 2.36%) of the value of the trust's loan portfolio. These loans do not include the loans described in relation to the late payment of interest. In each of these cases, the manager is awaiting variations of mortgage to extend the term, or awaiting repayment of the loans. Interest payments have continued to be made on these loans and the mortgage securities remain in place.

The Responsible Entity monitors all mortgage defaults on an ongoing basis, which is reported monthly to the Board of Directors.

Impairment of the individual loans and receivables has been considered based on the equity in the security held and accounted for as required. The directors do not consider that there are any impaired Loans and Receivables (loans on mortgage).

(i) Unitholders' funds

The trust has issued one class of units only. The units of $1 each are fully paid, and there are no special rights, preferences or restrictions attaching to any unit.

	2019 $	2018 $
Number of units on issue at beginning of the reporting period	77,087,500	65,582,500
Number of units issued during the reporting period	18,547,000	14,194,000
Number or units issued during the reporting period upon reinvestment of distribution	4,820,500	4,436,500
Number of units redeemed during the reporting period	(17,532,000)	(7,125,500)
Number of units on issue as at the end of the reporting period	82,923,000	77,087,500

Capital Risk Strategy

The trust considers its capital to be Unitholders' Funds. The trust manages its net assets attributable to unitholders as capital.

The objective of the trust is to provide unitholders with returns in accordance with the Product Disclosure Statement ("PDS"). The trust aims to deliver this objective mainly through investing in loans and receivables in accordance with the limitations set by the PDS.

The trust strives to invest in products that meet the trusts investment objectives while maintaining sufficient liquidity to meet unitholders' redemptions.

(j) Sensitivity Analysis

Interest rate risk

The trust performed a sensitivity analysis relating to its exposure to interest rate risk at balance date on cash and cash equivalents. This sensitivity analysis demonstrates the effect on the current year results which could result from a change in this risk. No sensitivity analysis has been performed on loans and receivables as the interest rate on each loan is fixed and only reviewed at each anniversary or date due for variation.

The directors have considered that the effect of volatility of interest rates within expected reasonable possible movements would not be material.

No sensitivity analysis has been performed on foreign exchange risk, as the entity is not exposed to foreign currency fluctuations.

Note 15: Commitments for expenditure

There were no commitments for expenditure at the end of the reporting period not disclosed in the financial statements.

Note 16: Goods and services tax

The income of the trust comprises interest which is not subject to GST and is input taxed. The trust is entitled to "reduced input tax credits" of 75% of the GST paid in respect of certain services that are outsourced, so that the net GST cost to the trust for these services is 2.5% and not 10%. Other payments by the trust are subject to GST and no input tax credit is allowable. Expenses are shown inclusive of the relevant amount of GST for which no input tax credit is allowed.

Note 17: New standards and interpretations issued but not yet effective

The Australian Accounting Standards Board has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the trust has decided not to early adopt.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Trust for the annual reporting period ended 31 March 2019.

The CKM Mortgage Trust

Directors Declaration

In the opinion of the directors of Sydney Wyde Mortgage Management Limited, the responsible entity of The CKM Mortgage Trust (The trust):

1. The financial statements and notes, as attached to this declaration, are in accordance with the Corporations Act 2001, including:

   a. complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   b. giving a true and fair view of the trust's financial position as at 31 March 2019 and of the performance for the year ended on that date.

2. The financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.

3. There are reasonable grounds to believe that the trust will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors of Sydney Wyde Mortgage Management Limited.

Director .... T R Stoyles

Director .... M J Bray

Dated this 30 day of April 2019

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of The CKM Mortgage Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of The CKM Mortgage Trust (the Trust), which comprises the statement of financial position as at 31 March 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

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

(i) Giving a true and fair view of the Trust's financial position as at 31 March 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Trust in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have 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 the Sydney Wyde Mortgage Management Limited as Responsible Entity of the Trust ("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.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Report by Directors of the Responsible Entity, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 Trust's ability 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 Trust or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO East Coast Partnership

BDO

Kieran Gould

Kieran Gould
Partner

Sydney, 30 April 2019