Eclipse Prudent Mortgage Corporation Limited

ABN 54 089 265 270

2018 Financial Report

23 October 2018

Eclipse Prudent Mortgage Corporation Limited
(ACN 089 265 270, AFSL 238546)
as responsible entity and issuer for
Eclipse Prudent Mortgage Fund ARSN 090 994 326 and
Discovery Mortgage Fund ARSN 606 591 100

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2018

	Note	2018 $	2017 Restated $
Revenue	2	3,831,811	3,203,078
Compliance costs		(70,286)	(23,737)
Depreciation and amortisation expenses		(13,482)	-
Director fees	5	(49,096)	-
Fringe benefits tax expense		-	(4,736)
Establishment fees		(95,910)	(132,166)
Retainer fee		(131,581)	-
Insurance		(4,047)	(26,575)
Management fee		(708,410)	(161,073)
Professional fees		(179,312)	(98,352)
Commissions paid		(60,067)	(58,027)
Service fee		(1,233,229)	(1,693,501)
Travel expenses		(2,268)	(8,972)
Rent expenses		(46,415)	(79,210)
Maintenance expenses		(28,795)	(44,227)
Other expenses		(206,849)	(165,363)
Profit before income tax	3	1,002,064	707,139
Income tax expense	4	(275,567)	(194,463)
Profit after income tax for the year attributable to owners of the entity		726,497	512,676
Other comprehensive income			
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year attributable to owners of the entity		726,497	512,676

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
as at 30 June 2018

	Note	2018 $	2017 Restated $
Current assets			
Cash and cash equivalents	6	1,266,775	762,533
Amounts due from related entities	14	726,237	-
Receivables – third parties	7	426,350	827,415
Financial assets	8	545,000	150,000
Total current assets		2,964,362	1,739,948
Non-current assets			
Property plant and equipment		58,057	-
Port Macquarie building bond		15,462	-
Intangibles	9	1,097,674	406,818
Financial assets	8	20,000	-
Deferred tax asset	4	3,431	4,707
Total non-current assets		1,194,624	411,525
Total assets		4,158,986	2,151,473
Current liabilities			
Payables - third parties	10	177,440	10,675
Amounts due to related entities	13	70,216	600,000
Tax liabilities		56,268	-
Total current liabilities		303,924	610,675
Non-current liabilities			
Total non-current liabilities		-	-
Total liabilities		303,924	610,675
Net assets		3,855,062	1,540,798
Equity			
Share capital	12	2,102,790	515,023
Retained earnings		1,752,272	1,025,775
Total equity		3,855,062	1,540,798

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS
for the year ended 30 June 2018

	Note	2018	2017 Restated
		$	$
Cash flow from operating activities			
Receipts from customers		4,459,332	3,134,073
Payments to suppliers and contractors		(4,302,199)	(2,248,874)
Interest received		19,655	34,099
Income tax paid		(82,918)	(445,496)
Net cash generated from operating activities	11	93,870	473,802
Cash flow from investing activities			
(Payments)/ proceeds from loans on mortgage		(415,000)	350,000
Purchase of property, plant and equipment		(71,539)	–
Purchase of intangible assets		(690,856)	–
Net cash (used in)/ generated from investing activities		(1,177,395)	350,000
Cash flow from financing activities			
Dividend paid		–	(177,594)
Proceeds from capital issued		1,587,767	115,019
Net cash generated from/(used in)financing activities		1,587,767	(62,575)
Net increase in cash held		504,242	761,227
Cash at beginning of year		762,533	1,306
Cash at end of year	6	1,266,775	762,533

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	Note	Share capital $	Retained earnings $	Total $
Balance at 1 July 2016		400,004	513,099	913,103
Restatement of profit for the year		–	512,676	512,676
Other comprehensive income, net of tax		–	–	–
Total comprehensive income for the year		–	512,676	512,676
Transactions with owners in their capacity as owners				
Issue of capital		115,019	–	–
Balance at 30 June 2017 (restated)		515,023	1,025,775	1,540,798
Profit for the year		–	726,497	726,497
Other comprehensive income, net of tax		–	–	–
Total comprehensive income for the year		–	726,497	726,497
Transactions with owners in their capacity as owners				
Issue of capital		1,587,767	–	1,587,767
Balance at 30 June 2018	12	2,102,790	1,752,272	3,855,062

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The financial statements cover Eclipse Prudent Mortgage Corporation Limited (**the Company**) as an individual entity. The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements were authorised for issue, in accordance with a resolution of the directors on 23 October 2018. The directors have the power to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations developed

The Company 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 Company from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant Company's accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* (Cth). The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

(a) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate at 27.5% for the 2018 income year (2017: 27.5%), adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

SIGNIFICANT ACCOUNTING POLICIES (CONT.)

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

The Company is within a tax consolidated group, commencing 1 January 2018. The head entity and the entities in the tax consolidated group continue to account for their own current and deferred tax amounts.

(b) Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

No impairment had been recognised in respect to goodwill for the year ended 30 June 2018.

(c) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(d) Revenue

Revenue is measured at the fair value of the consideration received and receivable.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(e) Impairment of non-financial assets

At each reporting date, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset’s fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives at the same time each year.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Payables

Accounts payable represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

(g) Receivables

Trade accounts receivable and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

(h) Property plant and equipment

All property, plant and equipment are initially measured at cost and are depreciated over their useful life. Depreciation commences from the time the asset is available for its intended uses.

Furniture and fittings are depreciated using the diminishing value method based on the useful life of each asset. Building fit outs at the Port Macquarie office have been depreciated using the straight line method over 3 years.

(i) Intangible assets other than goodwill

Software costs are capitalised only when the company identifies that the project will deliver future economic benefits and these benefits can be measured reliably.

Software costs have a finite life and are amortised on a systematic basis over five years matched to the future economic benefits over the useful life of the project. Software costs have not started to amortise, as the software has not yet become operational.

(j) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(i) 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 subsequently measured at amortised cost. Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period, which will be classified as current assets. If during the period the entity sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire category of held-to-maturity investments would be tainted and would be reclassified as available-for-sale.

(iii) Impairment of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

(k) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(m) Restatement of comparatives

Where required by accounting standards or other requirements, comparative figures have been adjusted to confirm to changes in the current year.

Correction of error

The 2017 comparatives have been restated to correct an error identified in the service fee expense due to a recharge from RF Capital (group) that was not recorded as at 30 June 2017. This was brought to the Directors' attention after the accounts were signed off in October 2017 and they have decided to restate the 2017 accounts to enable fairer comparison of the prior year results.

Impact on statement of profit or loss (decrease in profit)

Expenses	**$**
Service fees	(600,000)
Income tax expense	165,000
Net Impact on profit for the year	(435,000)

Impact on statement of financial position (increase in liability)

Liability	**$**
Tax liabilities	(165,000)
Amounts due to related entities	600,000
Net Impact on liabilities	435,000

Impact on statement of changes in equity (decrease in profit)

Equity	**$**
Retained earnings	(435,000)
Net Impact on equity	(435,000)

(n) 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 entity.

Key estimates

Impairment

The entity assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the entity that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

NOTE 2: REVENUE

	Note	2018 $	2017 $
Operating activities			
– Services received		3,812,156	3,168,979
– Interest	2(a)	19,655	34,099
Total revenue		3,831,811	3,203,078

(a) Interest from:		
– Held to maturity investments	11,084	29,668
– Bank	8,571	4,431
	19,655	34,099

NOTE 3: PROFIT FROM ORDINARY ACTIVITIES

	2018 $	2017 $
Profit before income tax expense has been determined after:		
Depreciation of office equipment	13,482	–
Remuneration of auditor		
– audit of the financial reports	32,600	30,200

NOTE 4: INCOME TAX EXPENSE

	2018 $	2017 $
The components of tax expense comprise:		
Current tax	272,136	189,756
Deferred tax	3,431	4,707
	275,567	194,463

NOTE 4: INCOME TAX EXPENSE (CONT.)

The prima facie tax payable on profit from ordinary activities is reconciled to the income tax expense as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2017: 27.5%)	275,567	194,463
Non-deductible expenses	–	–
Income tax expense	275,567	194,463
Deferred tax assets:		
Temporary differences attributable to timing difference	3,431	4,707

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Remuneration of directors

Remuneration received or receivable by all directors of the Company	49,096	–

NOTE 6: CASH AND CASH EQUIVALENT

Cash on hand	503	503
Cash at bank	1,266,272	762,030
	1,266,775	762,533

NOTE 7: RECEIVABLES – THIRD PARTIES

	Gross Amount	Past due and impaired	30 days	60days	90days +
2018					
Management fees receivable	426,350		156,048	163,405	106,897
	426,350	–	156,048	163,405	106,897
2017					
Management fees receivables	692,310		196,800	196,918	298,592
Tax receivables	135,105	–	135,105	–	–
	827,415	–	331,905	196,918	298,592

NOTE 8: FINANCIAL ASSETS

	2018 $	2017 $
Loans and receivables	565,000	150,000

Loans and receivables mainly consist of mortgage investments held in Eclipse Prudent Mortgage Fund.

NOTE 9: INTANGIBLES

Goodwill at cost	406,818	406,818
Computer software	690,856	-
	1,097,674	406,818

NOTE 10: PAYABLES – THIRD PARTIES

Creditors	106,854	10,416
GST payable	70,586	259
	177,440	10,675

NOTE 11: CASH FLOW INFORMATION

(a) Reconciliation of cash flow from operating activities with profit after income tax

Profit after income tax	726,497	512,676
Non- cash flows in profits		
Depreciation	13,482	–
Decrease/(increase) in receivables	265,960	(333,130)
(Increase)/decrease in other receivables	(726,237)	13,788
Increase/(decrease) in payables	166,765	(10,819)
(Decrease)/increase in other payables	(529,784)	600,000
Decrease in provisions	–	(12,137)
Decrease in unearned income	–	(45,543)
Increase in other assets	(15,462)	–
Increase/(decrease) in tax liabilities	192,649	(251,033)
Cash flow from operating activities	93,870	473,802

NOTE 12: ISSUED CAPITAL

507,411 (2017: 407,802) Fully paid ordinary shares	2,102,790	515,023

Fully paid ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Management control the capital of the entity in order to maintain a low debt to equity ratio, provide the shareholders with adequate returns and to ensure the entity can fund its operations and continue as a going concern.

NOTE 13: AMOUNTS DUE TO RELATED PARTIES

	2018 $	**2017 $**
Amounts due to RF Capital Trust	-	600,000
Amounts due to RF Capital Pty Ltd	70,216	-

NOTE 14: AMOUNTS DUE FROM RELATED PARTIES

	2018 $	2017 $
Amounts due from RF Capital Trust	615,236	–
Amounts due from Discovery Mortgage Management (Australia) Pty Ltd	111,001	–
Total	726,237	–

NOTE 15: COMMITMENTS

Non-cancellable operating leases contracted for but not recognised in the financial statements

Payable – minimum lease payments	2018 $	2017 $
1) Within one year	57,068	-
2) One to five years	72,834	-
3) More than five years	-	-
	129,902	-

NOTE 16: CONTINGENT LIABILITIES

The directors of the Company are not aware of any contingent liabilities as at 30 June 2018 (2017:nil).

NOTE 17: RELATED PARTY TRANSACTIONS

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

The following transactions occurred with related parties.

	2018 $	2017 $
Service fees paid during the year	1,949,085	1,693,501
Management fees paid during the year	708,410	161,073
Investment in Eclipse Prudent Mortgage Fund	565,000	150,000
Fees received from Eclipse Prudent Mortgage Fund	3,406,000	3,025,147

NOTE 18: FINANCIAL RISK MANAGEMENT

The Company's principal financial instruments consist mainly of deposits with banks, investments, receivables and payables.

The totals for each category of financial instruments, measured in accordance with AASB139 as detailed in the accounting policies to these financial statements, are as follows:

	2018 $	2017 $
Financial assets		
Cash and cash equivalents	1,266,775	762,533
Loans and receivables	565,000	150,000
Receivables	1,152,587	827,415
Total financial assets	2,984,362	1,739,948
Payables	247,656	610,675
Total financial liabilities	247,656	610,675
Net exposure	2,736,706	1,129,273

The carrying value of the financial instruments approximate to fair value.

NOTE 19: SUBSEQUENT 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 Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

NOTE 20: COMPANY DETAILS

The registered office and principal place of business of the Company is:

Level 54
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

The Company operates predominantly in one segment. The principal activity of the Company, is to act as a responsible entity to a registered scheme known as the Eclipse Prudent Mortgage Fund and Discovery Mortgage Fund. The Company operates predominantly in one geographic segment, being Australia.

DIRECTORS' REPORT

The Directors of Eclipse Prudent Mortgage Corporation Limited (**the Company**) present their report on the Company for the financial year ended 30 June 2018.

Directors

The following persons were the Directors of the Company and who held office at any time the financial year and up to the date of this report (unless otherwise stated):

Andrew McCasker	(resigned 13 December 2017)
George Kostas	
Raymond Fazzolari	(resigned 22 December 2017)
James McNally	(appointed 13 December 2017)
Dr. Robert Edgar	(appointed 22 December 2017)

Principal activities

During the financial period, the principal activity of the Company was to act as responsible entity to the registered mortgage schemes known as Eclipse Prudent Mortgage Fund and the Discovery Mortgage Fund.

Operating results

The Company derived a profit after income tax of $726,497 during the year ended 30 June 2018 (2017: $512,676)

Dividends

There was no dividend declared during the year ended 30 June 2018. (2017: $nil)

Review of operations

The Company continued to act as a responsible entity to the registered mortgage schemes known as Eclipse Prudent Mortgage Fund and Discovery Mortgage Fund. The Directors consider that the Company operated satisfactorily during the year ended 30 June 2018 in accordance with its obligations.

Significant changes in state of affairs

The ownership of the Company changed on 29 November 2017.

The Company allotted 99,609 shares to RF Eclipse Pty Limited ACN 621 705 100 on 29 November 2017.

Matters subsequent to the end of the financial year

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

Likely developments and expected results of operations

The Directors intend to continue the conduct of the management affairs of the Company, Eclipse Prudent Mortgage Fund and Discovery Mortgage Fund in an efficient manner satisfactory to its obligations.

Environmental issues

The Company'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 Company.

Information on Directors

George Kostas, in his role as RF Capital Chief Executive Officer, is responsible for all investments undertaken by the Roberts Family and the operational performance of the various businesses it owns. That includes alternative asset management company RF Capital, Roberts Constructions, Australian Construction Company Roberts Pizzarotti and specialist real estate fund manager and investor CorVal. Prior to this, George was chief executive of the largest privately held real estate group in the Middle East North Africa (MENA) region, the USD $10 billion Majid Al Futtaim Properties Group.

Dr. Robert Edgar retired as Deputy Chief Executive Officer of the ANZ Banking Group in 2009. In a 25 year career at ANZ, he also held the positions of Chief Operating Officer, Managing Director, Institutional Financial Services and Chief Economist. Dr Edgar is a Non-executive Director of Transurban Limited, Djerriwarrh Investments Limited and Linfox Armaguard Pty Limited. He also serves as the Chair of the Hudson Institute of Medical Research and was a former Chair and a Non-executive Director of Federation Centres Limited. He was previously a Non-executive Director of Asciano Limited, Nufarm Limited and three Asian banks connected with ANZ.

James McNally is a former executive and founding Director of ALE Property Group (having resigned on 8 August 2018), which is an ASX listed hotel property trust with funds under management of $1.1 billion across 87 properties located in Australia. He has over 20 years' experience in the funds management industry, having worked in both property trust administration and compliance roles for Perpetual Trustees Australia Limited and MIA Services Pty Limited, a company that specialises in compliance services to the funds management industry.

Information on company secretaries

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

Tristan Murray is a qualified practising lawyer (NSW) and has been associated with the Company for more than 16 years. She originally worked directly with the Company in loan and client management and then as a lawyer with an external law firm providing mortgage, default management and recovery services to the Company.

Meeting of Directors

The following table sets out the number of meetings of the Directors held during the year ended 30 June 2018 and the number of meetings attended by each Director.

Directors	Number Eligible to Attend	Attended
Andrew McCasker (resigned 13 December 2017)	5	5
George Kostas	9	9
Ray Fazzolari (resigned 22 December 2017)	6	6
James McNally (appointed 13 December 2017)	3	3
Dr. Robert Edgar (appointed 22 December 2017)	3	3

Indemnity and insurance of officers and auditor

The Company has paid professional indemnity insurance premiums for the Directors and key management personnel of the Company against liabilities incurred by them in matters arising in acting for the Responsible Entity of the Eclipse Prudent Mortgage Fund and the Discovery Mortgage Fund. No insurance premiums are paid for out of the assets of either Eclipse Prudent Mortgage Fund or the Discovery Mortgage Fund. During and since the end of the financial period the Company has not given any indemnity or entered into any agreement to indemnify the directors or auditor of the Company.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* (Cth) for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Options

No options have been granted over unissued shares or interests during or since the financial period by the Company.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is attached.

Signed in accordance with a resolution of the Board of Directors of the Company.

Dated this 23rd October 2018

George Kostas

Director

Sydney, 23rd October 2018

DIRECTORS' DECLARATION

Eclipse Prudent Mortgage Corporation Limited
30 June 2018

In the Directors' opinion:

- the attached financial statements and notes thereto comply with the *Corporations Act 2001* (Cth), the Australian Accounting Standards – Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001* (Cth).

On behalf of the Directors

George Kostas

Director

Sydney, 23rd October 2018

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www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY RYAN POLLETT TO THE DIRECTORS OF ECLIPSE PRUDENT MORTGAGE CORPORATION LIMITED

As lead auditor of Eclipse Prudent Mortgage Corporation Limited for the year ended 30 June 2018, 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.

Ryan Pollett

Ryan Pollett
Partner

BDO East Coast Partnership

Sydney, 23 October 2018

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INDEPENDENT AUDITOR'S REPORT

To the members of Eclipse Prudent Mortgage Corporation Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Eclipse Prudent Mortgage Corporation Limited (the Company), which comprises the statement of financial position as at 30 June 2018, 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 Eclipse Prudent Mortgage Corporation Limited, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards – Reduced Disclosure Requirements 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 Company 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 Company, 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 Directors' Report, 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 of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements 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 Company'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 Company 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
Ryan Pollett

Ryan Pollett
Partner

Sydney, 23 October 2018