



Eclipse Prudent
Mortgage Fund
ARSN 090 994/326

Half-Year 2019
Financial Report

12 March 2019

Responsible Entity and Issuer
Eclipse Prudent Mortgage Corporation Limited
(ACN 089 265 270, AFSL 238546)

Level 54
Governor Phillip Tower
1 Farrer Place
SYDNEY NSW 2000

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www.eprudentmortgages.com.au

DIRECTORS' REPORT

The Directors of Eclipse Prudent Mortgage Corporation Limited ACN 089 265 270 (**the Responsible Entity**), the Responsible Entity of the Eclipse Prudent Mortgage Fund (**the Fund**) present their report together with the financial report of the Fund for the half-year ended 31 December 2018.

Directors

The following persons were the Directors of the Responsible Entity and who held office at any time during the financial year and up to the date of this report, unless otherwise stated:

Dr Robert Edgar
James McNally
George Kostas

Principal activities

The Fund operates as a contributory mortgage scheme and aims to provide Members with stable and recurring income with capital stability and low volatility from mortgage investments secured by a registered mortgage over legal interests in real property. Loans are provided to borrowers on an interest only basis for the purpose of investing in property or the development of new property or the redevelopment of existing property. These loans are made for terms of 6 months to 3 years and at the maturity of the loans they are either renewed for a further term or repaid by the Borrower.

Eclipse is a part of the RF Capital Group of entities, an integrated alternate asset manager with interests in real estate, credit and financial markets across Australia, Middle East and Europe, leveraging 50 years of experience in real estate investment, development, construction and funds management.

Operating results

The operating profit of the Fund for the period after provision for income tax was \$nil. All amounts were distributed to Members.

Review of operations

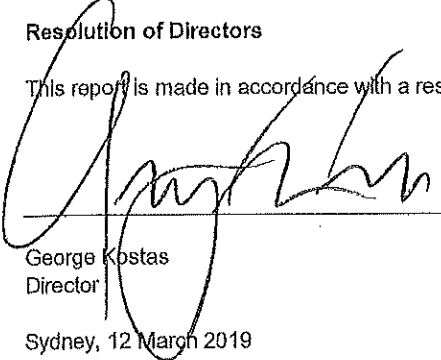
The Fund was established to act as a registered mortgage scheme known as Eclipse Prudent Mortgage Fund in accordance with the constitution of that fund and the requirements of the Australian Securities and Investment Commission. The directors consider that the Fund operated satisfactorily during the period ended 31 December 2018 in accordance with its obligations.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Act is set out on the following page.

Resolution of Directors

This report is made in accordance with a resolution of Directors.



George Kostas
Director

Sydney, 12 March 2019



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DECLARATION OF INDEPENDENCE BY KIERAN GOULD TO THE DIRECTORS OF ECLIPSE PRUDENT MORTGAGE CORPORATION LIMITED

As lead auditor for the review of Eclipse Prudent Mortgage Fund for the half-year ended 31 December 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 review; and*
2. No contraventions of any applicable code of professional conduct in relation to the review.

Kieran Gould
Partner

BDO East Coast Partnership

Sydney, 12 March 2019

FINANCIAL REPORT

31 December 2018

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General information

The financial report covers Eclipse Prudent Mortgage Fund (**the Fund**) as an individual entity. The Responsible Entity of the Fund is Eclipse Prudent Mortgage Corporation Limited ACN 089 265 270 (**Responsible Entity**).

The financial report consists of the financial statements, notes to the financial statements and the declaration by the Directors of the Responsible Entity and is presented in Australian dollars.

The Fund is a registered managed investment scheme. The Responsible Entity is incorporated and domiciled in Australia and its registered office and principal place of business is:

Level 54
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

The financial statements were authorised for issue by the Directors of the Responsible Entity on 27 February 2019. The Directors of the Responsible Entity have the power to amend and reissue the financial report.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half year ended 31 December 2018

	Note	DEC 2018 \$	DEC 2017 \$
Interest Revenue			
Mortgage interest received from borrowers		5,879,812	5,614,824
Management fees reflected in the effective interest received from borrowers		1,310,975	1,984,622
Bank interest received		266,477	352,193
Total Interest Revenue		7,457,264	7,951,639
Expenses			
Mortgage interest distributed to members		(5,879,812)	(5,614,824)
Management fees paid to the Responsible Entity from borrowers		(1,310,975)	(1,984,622)
Management fees paid to the Responsible Entity from investors		(76,080)	(41,593)
Bank interest distributed to Members		(190,397)	(310,600)
Total expenses		(7,457,264)	(7,951,639)
Profit before income tax expense		-	-
Income tax expense		-	-
Profit after income tax expense for the period		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		-	-

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	DEC 2018 \$	JUN 2018 \$
Assets			
Cash and cash equivalents		31,139,516	33,853,403
Trade and other receivables		373,712	906,925
Financial assets	5	137,526,000	130,393,500
Total assets		169,039,228	165,153,828
Liabilities			
Trade and other payables		6,130,729	2,976,846
Funds held in legal trust		398,169	395,823
Financial liabilities	6	162,510,330	161,781,159
Total liabilities		169,039,228	165,153,828
Net assets		–	
Total equity		–	–

STATEMENT OF CHANGES IN EQUITY
For the half year ended 31 December 2018

	Retained Profits \$	Total Equity \$
Balance at 1 July 2017	—	—
Total comprehensive income for the period	—	—
Balance at 31 December 2017	—	—
Total comprehensive income for the period	—	—
Balance at 1 July 2018	—	—
Total comprehensive income for the period	—	—
Balance at 31 December 2018	—	—

Total amount of investment funds held within the Fund by individual investors are classified as Financial Liabilities, consequently there is no equity for financial reporting purposes.

STATEMENT OF CASH FLOWS
 For the half year ended 31 December 2018

	Note	DEC 2018 \$	DEC 2017 \$
Cash flows from operating activities			
Cash receipts in course of operations (including GST)		94,375,112	74,714,220
Cash payments in course of operations (including GST)		(97,088,999)	(60,504,099)
Net cash from operating activities		(2,713,887)	14,210,121
Cash flows from investing activities			
Net cash used in investing activities		-	-
Cash flows from financing activities			
Net cash used in financing activities		-	-
Net (decrease) / increase in cash and cash equivalents		(2,713,887)	14,210,121
Cash and cash equivalents at the beginning of the period		33,853,403	25,233,726
Cash and cash equivalents at the end of the period		31,139,516	39,443,847

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These general purpose financial statements for half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Act 2001* as appropriate for for-profit entities.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements and corresponding interim reporting period.

The Fund has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

2. EVENTS SUBSEQUENT TO REPORTING DATE

Since 31 December 2018, no event has arisen that would be likely to materially affect the operations of the Fund, or the state of affairs of the Fund not otherwise disclosed in the Fund's financial report.

3. CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities.

4. SEGMENT INFORMATION

The Fund operates in one segment being the management of a registered mortgage scheme. The Fund operates in Sydney and Port Macquarie in the State of New South Wales.

5. FINANCIAL ASSETS

	DEC 2018 \$	JUN 2018 \$
<hr/>		
Analysis of loans and receivables		
Mortgage investments advanced to date	121,710,111	123,769,171
Funds held in trust	15,815,889	6,624,346
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Total Mortgage Investments	137,526,000	130,393,500
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NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL ASSETS (CONT)

Mortgage investments shown in the Statement of Financial Position are not held collectively for all Members of the Fund. The Fund operates as a contributory mortgage scheme and offers investment in a mortgage investment secured by a registered Mortgage over legal interest in real property. Members of the Fund may hold an interest in a particular mortgage investment by way of an investment through the Syndicate PDS (**Syndicate Members**). The Syndicate Members hold the legal and beneficial interest in the Mortgage as tenants in common. The mortgage investment is an asset of the Syndicate Members and not an asset of the Fund. It is an ASIC requirement that the mortgage investments are disclosed as assets of the Fund.

Unless otherwise disclosed in the Syndicate PDS, the Mortgage is a first registered Mortgage, with priority over any subsequent registered or unregistered mortgage and any other non-secured creditor of the borrower. In the event of a default, the Mortgage authorises the mortgagee a right to exercise a power of sale of the security property.

Interest is collected and paid on the total balance of Mortgage investments of \$137,526,000.

	DEC 2018	JUN 2018
	\$	\$
Market value of security property held on title	270,896,287	310,571,082
Cash (funds) held in Trust	15,815,889	6,624,329
Total value of security	286,712,176	317,195,411
Total Mortgage Investments	137,526,000	130,393,500
Loan Valuation Ratio (LVR)	48%	42%

Each scheme within the Syndicate is assessed individually and will have its own loan valuation ratio (LVR).

6. MOVEMENT IN MEMBERS' FUNDS

	DEC 2018	JUN 2018
	\$	\$
Interests in the Fund at the beginning of the period	161,781,159	177,726,065
Interests issued during the period	12,749,149	33,253,863
Withdrawals from the Fund during the period	(12,019,978)	(49,198,769)
Interests in the Fund at the end of the period	162,510,330	161,781,159

NOTES TO THE FINANCIAL STATEMENTS

7. FAIR VALUE DISCLOSURE

The Fund has a number of financial instruments which are not measured at fair value in the statement of financial position, including cash, trade & other receivables, mortgage investments, and trade & other payables. The fair value of these financial assets and financial liabilities approximates their carrying amount.

8. RESTATEMENT OF COMPARITIVES

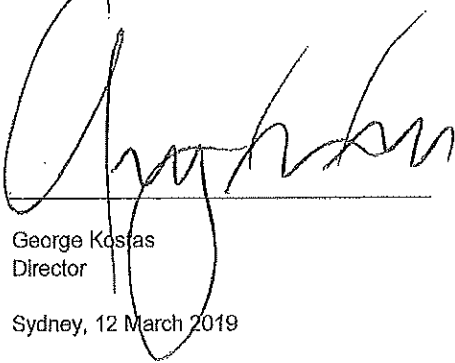
The statement of financial position comparative had a \$6,624,329 reclassification of Cash and cash equivalents \$33,853,403 (\$40,477,732) to Financial assets \$130,393,500 (\$123,769,171). The \$6,624,329 were funds which had been advanced to borrowers but held in trust.

DIRECTOR'S DECLARATION

In the opinion of the Directors of Eclipse Prudent Mortgage Corporation Limited:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian Accounting Standards AASB134:Interim Financial Reporting, 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 Fund's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of the Responsible Entity:



George Kostas
Director

Sydney, 12 March 2019



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Eclipse Prudent Mortgage Fund

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Eclipse Prudent Mortgage Fund (the Fund), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year then ended, notes comprising a statement of significant accounting policies and other explanatory information, and a declaration by the directors of the Responsible Entity.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Fund is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Fund's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the Responsible Entity (the directors) are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 31 December 2018 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

BDO

A handwritten signature in black ink, appearing to read 'Kieran Gould'. The signature is written in a cursive, flowing style.

Kieran Gould
Partner

Sydney, 12 March 2019