

**WARATAH SELECT MORTGAGE FUND**  
ARSN 089 601 052

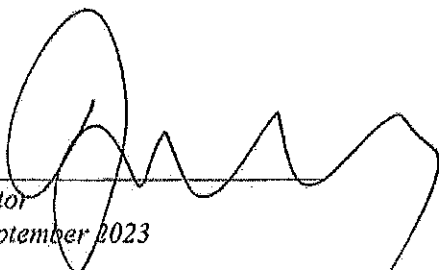
**ANNUAL FINANCIAL REPORT**  
30 JUNE 2023



**S H A K E S P E A R E H A N E Y**  
**S E C U R I T I E S L I M I T E D**

SECURITIES DEALERS LICENCE NO 188395  
ACN 007 435 743

*This is annexure A of 27 pages referred to in form 388 "Copy of financial statements and reports"*



Director  
28 September 2023

**WARATAH SELECT MORTGAGE FUND  
ARSN 089 601 052**

**RESPONSIBLE ENTITY'S REPORT**

The directors of Shakespeare Haney Securities Limited ('the Responsible Entity'), the responsible entity of Waratah Select Mortgage Fund ('the Scheme'), present their report together with the financial report of the Scheme, for the year ended 30 June 2023 and the auditor's report thereon.

**Responsible entity**

The registered office and principal place of business of the Responsible Entity and the Scheme is Level 11, 50 Cavill Avenue, Surfers Paradise, Queensland.

The directors of Shakespeare Haney Securities Limited during or since the end of the financial year are:

| <b>Name, qualifications and independence status</b> | <b>Age</b> | <b>Experience, responsibilities and other directorships</b>   |
|---|------------|---|
| Thomas John Haney                                   | 66         | John Haney has over 30 years experience in operating and managing the provision of mortgage finance.<br><br>Mr Haney is also a solicitor of the Supreme Court of Queensland and New South Wales. His main responsibilities are specialist knowledge in the administration and management of the fund.   |
| David John Williams                                 | 62         | David Williams has over 25 years of experience in mortgage and securities work.<br><br>David Williams has a Bachelor of Laws from Queensland University of Technology and is a solicitor of the Supreme Court of Queensland and High Court of Australia. David has also completed a Certificate of Financial Planning Principles and Practice and Diploma of Mortgage Lending with the Securities Institute of Australia. |
| Nicholas John Haney                                 | 39         | Nick Haney has over 10 years experience in the property industry. He has established many relationships with key property industry players in both funds management and real estate.<br><br>Mr Haney has completed a Masters degree in Urban Development and Sustainability with Bond University and a Diploma of Mortgage Lending with the Financial Services Institute of Australasia.                                  |

**Principal activities**

The Scheme is a registered managed investment scheme domiciled in Australia.

The investment activities of the Scheme continued to be in accordance with the investment policy of the Scheme as outlined in the current Product Disclosure Statement. The scheme invests in first mortgages (including joint first mortgages) over freehold property (including development and construction loans).

The Scheme did not have any employees during the year.

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**RESPONSIBLE ENTITY'S REPORT**

**Review and results of operations**

The Scheme's net income from operations before distributions paid to investors for the current year was \$1,936,571 (2022: \$2,158,814).

***Distributions***

The rate of distribution paid to investors may vary over the term of the investment. The distribution rates during the year were 5.00-6.50% pa (2022: 6.00-6.50% pa).

Distributions paid or payable by the scheme in respect of the financial year were \$1,936,571 (2022: \$2,158,814).

***Investors Funds***

The scheme received \$3,746,228 of investor funds (including distribution re-investments of \$312,717) during the financial year (2022: \$2,582,683), while \$4,986,216 was redeemed (2022: \$4,092,883), resulting in a balance of investors' funds of \$32,592,608 as at 30 June 2023 (2022: \$33,832,596).

The scheme had total assets of \$32,741,379 as at 30 June 2023 (2022: \$33,957,942). The basis for the carrying value of the scheme's assets is disclosed in Note 3 to the financial statements.

**Economic factors**

Consecutive interest rate increases throughout the financial year tested the Australian property market and significant pressure in the development and construction segment resulted in the collapse of a number of construction companies across Australia. Average LVR's across the loan book are monitored to manage any downward pressure on property valuations.

The Directors draw attention to Note 10 which outlines the impacts of the market and other risks to the measurement of financial liabilities, mortgage loans and interest receivable as at 30 June 2023.

**Significant changes in the state of affairs**

In the opinion of the Responsible Entity, other than the economic factors outlined above, there were no significant changes in the state of affairs of the Scheme, that occurred during the financial year.

**Likely developments**

The Scheme will continue to pursue its policy of increasing returns through active investment selection. Further information about likely developments in the operations of the Scheme and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Scheme.

**Environmental Regulation**

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

**WARATAH SELECT MORTGAGE FUND  
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**RESPONSIBLE ENTITY'S REPORT**

**Events subsequent to balance date**

There has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

**Interests of the Responsible Entity**

The following fees were paid to associates of Shakespeare Haney Securities Limited out of scheme property during the financial year:

|  | 2023    | 2022    |
|--|---------|---------|
|  | \$      | \$      |
| Management fees for the period, paid and payable to SH Mortgage Services Pty Ltd under the terms of the Service Agreement between that company and the Responsible Entity. | 785,456 | 910,455 |

The Responsible Entity had nil funds invested in the Scheme at year-end (2022: Nil). Associates of the Responsible Entity or its directors had 163,874 units in the scheme at year end (2022: 63,874 units held) on normal terms and conditions.

**Indemnities and insurance premiums for Officers or Auditors**

***Indemnification***

Under the Scheme constitution the Responsible Entity, including its officers and employees, is indemnified out of the Scheme's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Scheme.

The Scheme has not indemnified any auditor of the Scheme.

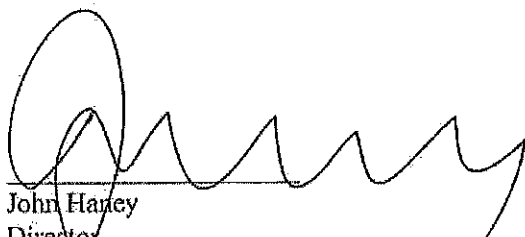
***Insurance premiums***

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

**Lead auditor's independence declaration under Section 307C of the Corporations Act 2001**

The lead auditor's independence declaration is set out on page 4 and forms part of the responsible entity's report for the year ended 30 June 2023.

Signed in accordance with a resolution of the directors of Shakespeare Haney Securities Limited.



John Haney  
Director

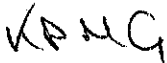
Date: 28 September 2023

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

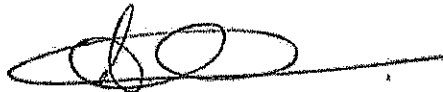
To the Directors of Shakespeare Haney Securities Limited, the responsible  
entity for Waratah Select Mortgage Fund

I declare that, to the best of my knowledge and belief, in relation to the audit of Waratah Select  
Mortgage Fund for the financial year ended 30 June 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the  
*Corporations Act 2001* in relation to the audit and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



KPMG  
28 September 2023



Adam Twemlow  
Partner  
Surfers Paradise

**WARATAH SELECT MORTGAGE FUND**  
**ARSN 089 601 052**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2023**

|   | Note | 2023<br>\$        | 2022<br>\$        |
|---|------|-------------------|-------------------|
| <b>Assets</b>   |      |                   |                   |
| Cash and cash equivalents   | 7(a) | 3,389,639         | 2,710,770         |
| Loans and receivables:  |      |                   |                   |
| Interest receivable   |      | 123,161           | 140,612           |
| Mortgage loans  | 8    | 29,156,479        | 31,001,037        |
| Other assets  |      | <u>72,100</u>     | <u>105,523</u>    |
| <b>Total assets</b>   |      | <u>32,741,379</u> | <u>33,957,942</u> |
| <b>Liabilities</b>  |      |                   |                   |
| Members distribution payable  | 9    | 91,797            | 81,874            |
| Interest received in advance  |      | <u>56,974</u>     | <u>43,473</u>     |
| <b>Total liabilities (excluding net assets attributable to investors)</b> |      | <u>148,771</u>    | <u>125,346</u>    |
| <b>Net assets attributable to investors – liability</b>                   | 4    | <u>32,592,608</u> | <u>33,832,596</u> |

*The accompanying notes are an integral part of these financial statements.*

**WARATAH SELECT MORTGAGE FUND  
ARSN 089 601 052**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2023**

|   | Note | 2023<br>\$         | 2022<br>\$         |
|---|------|--------------------|--------------------|
| <b>Revenue</b>  |      |                    |                    |
| Interest – mortgage loans   | 5    | 2,753,535          | 3,109,733          |
| Interest – bank   | 5    | 6,755              | -                  |
| <b>Net investment income</b>  |      | <u>2,760,290</u>   | <u>3,109,733</u>   |
| <b>Expenses</b>   |      |                    |                    |
| Management fees   |      | 785,456            | 910,455            |
| Custodian fees  |      | 18,627             | 17,703             |
| Other operating expenses  |      | 19,636             | 22,761             |
| <b>Total expenses</b>   |      | <u>823,719</u>     | <u>950,919</u>     |
| <b>Profit from operating activities before finance costs</b>                          |      | <u>1,936,571</u>   | <u>2,158,814</u>   |
| <b>Finance costs</b>  |      |                    |                    |
| Distribution expense to investors   | 9    | <u>(1,936,571)</u> | <u>(2,158,814)</u> |
| <b>Change in net assets attributable to investors/<br/>Total comprehensive income</b> |      | <u>-</u>           | <u>-</u>           |

*The accompanying notes are an integral part of these financial statements.*

**WARATAH SELECT MORTGAGE FUND  
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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2023**

The Scheme's net assets attributable to investors are classified as a liability under AASB 132 *Financial Instruments: Presentation*. As the Scheme has no equity, no items of changes in equity have been presented for the current or comparative year.

*The accompanying notes are an integral part of these financial statements.*



**WARATAH SELECT MORTGAGE FUND  
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**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2023**

|   | Note | 2023<br>\$         | 2022<br>\$         |
|---|------|--------------------|--------------------|
| <b>Cash flows from operating activities</b>               |      |                    |                    |
| Interest received   |      | 1,478,918          | 2,219,572          |
| Distributions paid  |      | (1,613,931)        | (1,925,549)        |
| Management fees paid, including GST                       | 11   | (785,456)          | (910,455)          |
| Other expenses paid                                       |      | (4,840)            | (63,222)           |
| <b>Net cash flows from/(used in) operating activities</b> | 7(b) | <u>(925,309)</u>   | <u>(679,654)</u>   |
| <b>Cash flow from investing activities</b>                |      |                    |                    |
| Mortgage loans made                                       |      | (37,890,865)       | (40,102,872)       |
| Mortgage loans repaid                                     |      | 41,047,748         | 39,416,258         |
| <b>Net cash flows from/(used in) investing activities</b> |      | <u>3,156,883</u>   | <u>(686,614)</u>   |
| <b>Cash flow from financing activities</b>                |      |                    |                    |
| Proceeds from receipt of investor applications            |      | 3,433,511          | 2,236,854          |
| Redemption of investor funds                              |      | (4,986,216)        | (4,092,883)        |
| <b>Net cash flows from/(used in) financing activities</b> |      | <u>(1,552,705)</u> | <u>(1,856,029)</u> |
| Net (decrease)/increase in cash and cash equivalents      |      | 678,869            | (3,222,297)        |
| Cash and cash equivalents at 1 July                       |      | <u>2,710,770</u>   | <u>5,933,067</u>   |
| Cash and cash equivalents at 30 June                      | 7(a) | <u>3,389,639</u>   | <u>2,710,770</u>   |

*The accompanying notes are an integral part of these financial statements.*

**WARATAH SELECT MORTGAGE FUND  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**1. REPORTING ENTITY**

Waratah Select Mortgage Fund (the Scheme) is a registered managed investment scheme under the Corporations Act 2001. The Scheme is a for profit entity domiciled in Australia. The financial report of the Scheme is for the year ended 30 June 2023. Shakespeare Haney Securities Limited was the responsible entity for the year ended 30 June 2023.

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The financial report of the Scheme complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors of the Responsible Entity on 28<sup>th</sup> September 2023.

**(b) Basis of measurement**

The financial report is prepared on the historical cost basis. Financial instruments which include loans and receivables are classified as measured at amortised cost.

**(c) Functional and presentation currency**

These financial statements are presented in Australian dollars, which is the Scheme's functional currency.

**(d) Use of estimates and judgements**

The preparation of financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 10 – Financial Risk Management – Impairment of mortgage loans

**(e) Changes in accounting policies**

There were no changes in the accounting policies of the Scheme during the year.

**WARATAH SELECT MORTGAGE FUND  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**3. SIGNIFICANT ACCOUNTING POLICIES**

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

The Scheme has not early adopted any accounting standard.

**(a) Financial Instruments**

*Non-derivative financial assets*

*Recognition and initial measurement*

The Scheme initially recognises trade receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Scheme becomes a party to the contractual provisions of the instrument.

The Scheme derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Scheme is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Scheme has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

On initial recognition, a financial asset is classified as measured at:

- Amortised cost; or
- Fair value through profit or loss.

*Classification and subsequent measurement*

Financial assets are not reclassified subsequent to their initial recognition unless the Scheme changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**WARATAH SELECT MORTGAGE FUND  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT)**

**(a) Financial Instruments (cont)**

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Scheme may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

***Impairment of financial assets***

The Scheme recognises expected credit losses ('ECLs') on:

- Financial assets measured at amortised cost;
- The Scheme measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:
- Other debt securities and bank balances for which credit risk (i.e the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows the Scheme expects to receive).

At each reporting date, the Scheme assesses whether financial assets carried at amortised cost are credit-impaired.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Scheme has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

***Non-derivative financial liabilities***

Financial liabilities are measured at amortised cost.

The Scheme initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Scheme becomes a party to the contractual provisions of the instrument.

The Scheme derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Other financial liabilities comprise loans and borrowings and trade and other payables.

**WARATAH SELECT MORTGAGE FUND  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT)**

**(b) Interest income**

Interest income and expense is recognised in the statement of comprehensive income as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Interest income is recognised on a gross basis, including withholding tax, if any.

**(c) Expenses**

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

**(d) Distributions and taxation**

Under current legislation, the Scheme is not subject to income tax as the taxable income (including assessable realised capital gains) is distributed in full to the investors. The scheme fully distributes its distributable income, calculated in accordance with the scheme constitution and applicable taxation legislation, to the unit-holders who are presently entitled to the income under the constitution.

**(e) Redeemable units**

All redeemable units issued by the Scheme provide the investors with the right to require redemption for cash and give rise to a financial liability. In accordance with the Product Disclosure Statement the Scheme is contractually obliged to redeem units at the redemption price.

**(f) Finance costs**

Distributions paid and payable on investor funds are recognised in the statement of comprehensive income as finance costs and as a liability where not paid. Distributions paid are included in cash flows from operating activities in the statement of cash flows.

**(g) Unit prices**

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

**(h) Goods and services tax**

Management fees, custody fees and other expenses are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO) as reduced input tax credit (RITC).

Payables are stated with the amount of GST included.

The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position.

Cash flows are included in the statement of cash flow on a gross basis.

**WARATAH SELECT MORTGAGE FUND  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT)**

**(i) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2022, and have not been applied in preparing these financial statements. The Scheme does not plan to adopt these standards early, and those which may be relevant to the Scheme are not expected to have a significant impact on the Scheme's financial statements.

**4. NET ASSETS ATTRIBUTABLE TO INVESTORS – LIABILITY**

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

The objective of the Scheme is to provide unitholder's with returns in accordance with the Product Disclosure Statement ("PDS"). The Scheme aims to deliver this objective mainly through investing in mortgage loans in accordance with the limitations set by the PDS. The Scheme is not subject to any externally imposed capital requirements.

The Scheme strives to invest in mortgages that meet the Scheme's investment objectives while maintaining liquidity to meet unitholders' redemptions.

|                 | <b>2023</b>        | <b>2022</b>        |
|-----------------|--------------------|--------------------|
|                 | <b>\$</b>          | <b>\$</b>          |
| Opening balance | 33,832,596         | 35,342,796         |
| Applications    | 3,433,511          | 2,236,854          |
| Reinvestments   | 312,717            | 345,829            |
| Redemptions     | <u>(4,986,216)</u> | <u>(4,092,883)</u> |
| Closing balance | <u>32,592,608</u>  | <u>33,832,596</u>  |
| <br>            |                    |                    |
| Units on issue  | 32,592,608         | 33,832,596         |

The initial terms of the above unitholders funds are as follows:

| <b>Term</b> |                   |                   |
|-------------|-------------------|-------------------|
| 12 months   | 14,970,672        | 16,016,621        |
| 24 months   | 6,416,035         | 6,805,595         |
| 36 months   | <u>11,205,901</u> | <u>11,010,380</u> |
|             | <u>32,592,608</u> | <u>33,832,596</u> |

All units in the Fund are of the same class and carry equal voting rights. The rate of distribution paid to investors may vary over the term of the investment. The distribution rates during the year were 5.00-6.50% pa (2022: 6.00-6.50% pa).

Liquidity risk is disclosed in Note 10.

**WARATAH SELECT MORTGAGE FUND**  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**5. INTEREST INCOME**

The following table details the interest income earned by the Scheme during the year:

|  | 2023      | 2022      |
|--|-----------|-----------|
|  | \$        | \$        |
| Interest income – mortgage investments | 2,753,535 | 3,109,733 |
| Interest income – bank                 | 6,755     | -         |
|  | 2,760,290 | 3,109,733 |

**6. AUDITOR'S REMUNERATION**

**Audit fees paid by a related entity of the Responsible Entity on behalf of the Scheme**

**Audit Services:**

|  |        |        |
|--|--------|--------|
| Audit and review of the financial report | 47,950 | 47,950 |
| Other regulatory audit services          | 15,750 | 15,750 |
|  | 63,700 | 63,700 |

**Other services**

**Other fees paid by a related entity of the Responsible Entity on behalf of the Scheme:**

|                   |       |       |
|-------------------|-------|-------|
| Taxation services | 4,670 | 4,670 |
|                   | 4,670 | 4,670 |

**7(a). CASH AND CASH EQUIVALENTS**

|                             |           |           |
|-----------------------------|-----------|-----------|
| Current balances with banks | 3,389,639 | 2,710,770 |
|-----------------------------|-----------|-----------|

**7(b). RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES**

|  |             |           |
|--|-------------|-----------|
| Profit from operating activities after distributions | -           | -         |
| Adjustments for non-cash items:                      |             |           |
| Distributions re-invested                            | 312,717     | 345,829   |
| Interest capitalised – mortgage investments          | (1,312,325) | (835,770) |
| Changes in operating assets and liabilities          |             |           |
| Interest, distributions and other receivables        | 50,874      | (20,510)  |
| Accounts payable                                     | 9,923       | (112,564) |
| Interest received in advance                         | 13,502      | (56,639)  |
| Cash flows from/(used in) operating activities       | (925,309)   | (679,654) |

**WARATAH SELECT MORTGAGE FUND**  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**8. MORTGAGE LOANS**

|   | 2023       | 2022       |
|---|------------|------------|
|   | \$         | \$         |
| Mortgage Loans – with contractual terms |            |            |
| Past due                                | -          | -          |
| Maturing < 1 year                       | 29,156,479 | 31,001,037 |
| Maturing 1-2 years                      | -          | -          |
| Maturing > 2 years                      | -          | -          |
|   | 29,156,479 | 31,001,037 |

At 30 June 2023, no mortgage loans were was past due (2022: nil). For information about the Scheme's exposure to liquidity risk and credit risk, see Note 10.

**9. DISTRIBUTIONS PAID AND PAYABLE**

|                      |           |           |
|----------------------|-----------|-----------|
| Distribution paid    | 1,844,774 | 2,076,940 |
| Distribution payable | 91,797    | 81,874    |
|                      | 1,936,571 | 2,158,814 |

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

**10. FINANCIAL RISK MANAGEMENT**

The Scheme's assets principally consist of financial instruments which comprise mortgage loans. It holds these investment assets at the discretion of the Scheme's Investment Manager in accordance with its published investment strategy. The Scheme's investment strategy per the Product Disclosure Statement ("PDS") is to invest in first mortgages (including joint first mortgages) predominately over commercial, industrial and residential properties (including development and construction loans).

The allocation of assets as between the various types of financial instruments described above is determined by the Scheme's Investment Manager who manages the Scheme's portfolio of assets to achieve the Scheme's investment objectives.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

**Overview**

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risks.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Scheme's risk management framework.

The Board has established a Management Committee, which is responsible for developing and monitoring the Scheme's risk management policies, including those related to its investment activities.



WARATAH SELECT MORTGAGE FUND  
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

10. FINANCIAL RISK MANAGEMENT (CONT)

*Overview (cont)*

The Responsible Entity's risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's Investment Manager, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities. The Scheme, through training, management standards and procedures, aim to develop a disciplined and constructive control environment in which all staff understand their roles and obligations.

The Management Committee monitors compliance with the Scheme's risk management strategies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Scheme.

**Market risk**

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

The Scheme's strategy on the management of the investment risk is driven by the Scheme's investment objective. The Scheme's investment strategy per the PDS is to invest in first mortgages predominately over commercial, industrial and residential properties.

Market risk is managed by the Management Committee who meet regularly to monitor and review interest rates.

*Currency risk*

The Scheme is not exposed to any currency risk as all transactions are performed in the Scheme's functional currency, being Australian dollars.

*Interest rate risk*

The majority of the Scheme's financial assets are interest-bearing. Interest-bearing financial assets and financial liabilities have variable interest rates and/or mature in the short-term. As a result, the Scheme is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash is invested in an interest-bearing deposit account with an Australian regulated banking institution.

The Scheme's interest rate risk is managed on a regular basis by members of the Management Committee in accordance with policies and procedures in place. The Scheme's overall interest rate risks are monitored on a monthly basis by the Board of Directors

*Interest rate profile*

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

|                           | Carrying amount |                  |
|---------------------------|-----------------|------------------|
|                           | 2023            | 2022             |
|                           | \$              | \$               |
| Variable rate instruments |                 |                  |
| Financial assets          | 32,546,118      | 33,711,807       |
| Financial liabilities     | (32,592,608)    | (33,832,596)     |
|                           | <u>(46,490)</u> | <u>(120,789)</u> |

**WARATAH SELECT MORTGAGE FUND**  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**10. FINANCIAL RISK MANAGEMENT (CONT)**

**Market risk (cont)**

*Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates throughout the reporting period would not have increased (decreased) profit or loss before management fee by a significant amount. Management have determined that a fluctuation of 100 basis points is reasonably possible considering the economic environment in which the Scheme operates.

*Fair value sensitivity analysis for fixed rate instruments*

As the Scheme does not hold any fixed rate instruments, a change in interest rate at the reporting date would not affect profit or loss.

**Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme. The Scheme's Investment Manager has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

*Exposure to credit risk*

The carrying amount of the Scheme's financial assets represents the maximum credit exposure. The Scheme's maximum exposure to credit risk at the reporting date was:

|                           |      | <b>Carrying amount</b> |                   |
|---------------------------|------|------------------------|-------------------|
|                           |      | <b>2023</b>            | <b>2022</b>       |
|                           |      | <b>\$</b>              | <b>\$</b>         |
| Cash and cash equivalents | 7(a) | 3,389,639              | 2,710,770         |
| Mortgage loans            | 8    | 29,156,479             | 31,001,037        |
| Other receivables         |      | 195,261                | 246,135           |
|                           |      | <u>32,741,379</u>      | <u>33,957,942</u> |

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

|                            |                   |                   |
|----------------------------|-------------------|-------------------|
| New South Wales – Sydney   | 13,970,385        | 16,512,444        |
| New South Wales – Regional | 7,385,399         | 3,814,624         |
| Queensland - South East    | 7,534,695         | 9,955,594         |
| Queensland - Regional      | 266,000           | 718,375           |
|                            | <u>29,156,479</u> | <u>31,001,037</u> |

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

|                         |                   |                   |
|-------------------------|-------------------|-------------------|
| Vacant land             | 7,362,898         | 3,594,898         |
| Residential             | 4,196,009         | 5,338,311         |
| Residential development | 15,462,572        | 20,832,828        |
| Commercial              | 2,135,000         | 1,235,000         |
|                         | <u>29,156,479</u> | <u>31,001,037</u> |

The Scheme's most significant borrower, accounts for \$5,548,186 (19.0%) of the mortgage investments carrying amount at 30 June 2023 (2022: \$5,685,654, 18.3%).

**WARATAH SELECT MORTGAGE FUND**  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**10. FINANCIAL RISK MANAGEMENT (CONT)**

**Credit risk (cont)**

*Impairment of mortgage investments*

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

|                               | Gross<br>2023 | Impairment<br>2023 | Gross<br>2022 | Impairment<br>2022 |
|-------------------------------|---------------|--------------------|---------------|--------------------|
|                               | \$            | \$                 | \$            | \$                 |
| Not past due                  | 29,156,479    | -                  | 31,001,037    | -                  |
| Past due 0-30 days            | -             | -                  | -             | -                  |
| Past due 31-120 days          | -             | -                  | -             | -                  |
| Past due 121 days to one year | -             | -                  | -             | -                  |
| More than one year            | -             | -                  | -             | -                  |
|                               | 29,156,479    | -                  | 31,001,037    | -                  |

The Scheme's mortgage investments are secured by a registered first mortgage (including joint first mortgages) over real property, which predominantly includes vacant land and residential properties. The Scheme's investment strategy is to invest in mortgage loans with a lending valuation ratio of 70%, with a maximum initial lending ratio of 80%. Credit risk for mortgage loans is mitigated by the Scheme establishing a Prudential Lending Manual which requires the Management Committee to conduct a range of searches on both the mortgage investment and secured property. Such searches include credit reference searches, bankruptcy searches, valuation reports and insurance searches. In addition, proof of serviceability for each new mortgage investment is also obtained. The Management Committee monitors mortgage investments on a monthly basis.

At 30 June 2023 and 30 June 2022, the Responsible Entity reviewed the carrying amount of mortgage loans of the Scheme in order to identify whether any loans may be impaired.

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

- Valuations of security properties completed by registered valuers;
- Appraisals completed by real estate agents;
- Actual sales prices realised on completed projects; and
- Estimated time to realise mortgage loans.

As a result of this review, the Responsible Entity recorded no impairment losses in respect of mortgage loans (2022: \$nil).

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

During the year ended 30 June 2023 the Scheme extended the terms of 8 (2022: 2) mortgage investments totalling \$9,173,290 at 30 June 2023 (2022: \$1,047,977). If it had not been for these extensions, the mortgage investments would have been over due by up to one year at 30 June 2023. No impairment loss was recognised.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

10. FINANCIAL RISK MANAGEMENT (CONT)

Credit risk (cont)

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

| Total principal and interest receivable | Estimated value of security property | Estimated Loan to Value Ratio | Method of assessing value                     |
|---|--------------------------------------|-------------------------------|---|
| \$                                      | \$                                   | %                             |   |
| <b>2023</b>                             |                                      |                               |   |
| 5,548,186                               | 9,860,000                            | 70.0                          | Independent valuation as at 9 November 2022   |
| 3,832,000                               | 7,510,000                            | 51.9                          | Independent valuation as at 14 July 2022      |
| 3,340,517                               | 8,525,898                            | 63.7                          | Independent valuation as at 15 April 2022     |
| 3,264,898                               | 5,023,350                            | 65.0                          | Independent valuation as at 2 November 2021   |
| 2,416,023                               | 4,341,645                            | 64.9                          | Independent valuation as at 26 July 2022      |
| 2,135,000                               | 3,050,000                            | 70.0                          | Independent valuation as at 13 May 2022       |
| 2,123,153                               | 3,224,220                            | 70.0                          | Independent valuation as at 7 February 2022   |
| 1,629,532                               | 2,770,330                            | 66.9                          | Independent valuation as at 12 September 2022 |
| <b>2022</b>                             |                                      |                               |   |
| 5,685,654                               | 8,593,477                            | 66.2                          | Independent valuation as at 14 April 2021     |
| 3,649,801                               | 5,829,120                            | 62.6                          | Independent valuation as at 30 September 2020 |
| 3,640,000                               | 5,197,500                            | 70.7                          | Independent valuation as at 30 July 2021      |
| 3,264,898                               | 5,002,000                            | 65.3                          | Independent valuation as at 29 April 2021     |
| 2,736,115                               | 6,476,142                            | 42.3                          | Independent valuation as at 16 June 2021      |
| 2,580,083                               | 4,450,000                            | 58.0                          | Independent valuation as at 22 February 2022  |
| 2,352,669                               | 3,770,287                            | 62.4                          | Independent valuation as at 16 July 2021      |

The Scheme's remaining exposure to mortgage investments totals \$4,867,170 (2022: \$7,091,817). These mortgage investments are secured by security properties with an estimated value of \$10,927,076 (2022: \$16,707,373). The method of assessing these security properties included independent valuations and recent sales data.

*Property value risk*

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

Consecutive interest rate increases throughout the financial year tested the Australian property market and significant pressure in the development and construction segment resulted in the collapse of a number of construction companies across Australia. These conditions may result in a decline in property values, which should they be significant, would result in diminished security values, and may result in losses should properties held as security be realised below the loan and receivable book values.

The Scheme's property value risk is managed on a regular basis by management in accordance with policies and procedures in place, including but not limited to the adoption of initial maximum loan to valuation ratios of 80%, with target ratios of 70%.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**10. FINANCIAL RISK MANAGEMENT (CONT)**

**Liquidity risk**

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The liquidity risk associated with the need to satisfy investors' requests for redemptions is mitigated by offering fixed term investment periods for investors and by maintaining cash funds to satisfy usual levels of demand. The Responsible Entity is required to make payments within 365 days of the receipt of redemption requests or such longer period as allowed by the Constitution. The Constitution states that if all reasonable steps have been taken to realise sufficient assets to satisfy a redemption request and the Responsible Entity is unable to do so due to one or more circumstances outside its control, such as the Scheme is not liquid, the period allowed for satisfaction of the redemption request may be extended by the number of days during which such circumstances apply.

The Scheme's liquidity risk is managed on a daily basis by the Investment Manager in accordance with the policies and procedures in place.

The Responsible Entity manages its liquidity by:

- Offering investments with fixed maturity terms of 12 to 36 months;
- Lending to borrowers with first mortgage security for periods generally not exceeding 12 to 24 months only where borrowers meet the Scheme's lending criteria;
- Having the ability under the Scheme's constitution to defer redemption payments in certain circumstances as noted above.

The Scheme's financial instruments are primarily investments in first mortgage investments, and accordingly a risk exists as to whether the Scheme can meet the payment of the contractual maturity of financial liabilities from funds received on the repayment of first mortgage loans.

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

|                                      | <b>Carrying<br/>amount</b> | <b>Contractual<br/>cash flows</b> | <b>0-3<br/>months</b> | <b>3-6<br/>months</b> | <b>6-12<br/>months</b> | <b>Greater than<br/>12 months</b> |
|--------------------------------------|----------------------------|-----------------------------------|-----------------------|-----------------------|------------------------|-----------------------------------|
| <b>2023</b>                          | <b>\$</b>                  | <b>\$</b>                         | <b>\$</b>             | <b>\$</b>             | <b>\$</b>              | <b>\$</b>                         |
| Members distributions payable        | 91,797                     | 91,797                            | 91,797                | -                     | -                      | -                                 |
| Net assets attributable to investors | 32,592,608                 | 32,592,608                        | 4,790,470             | 7,534,993             | 9,744,994              | 10,522,151                        |
|                                      | <u>32,684,405</u>          | <u>32,684,405</u>                 | <u>4,882,267</u>      | <u>7,534,993</u>      | <u>9,744,994</u>       | <u>10,522,151</u>                 |

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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**10. FINANCIAL RISK MANAGEMENT (CONT)**

**Liquidity risk (cont)**

|                                      | Carrying<br>amount | Contractual<br>cash flows | 0-3<br>months    | 3-6<br>months    | 6-12<br>months    | Greater than<br>12 months |
|--------------------------------------|--------------------|---------------------------|------------------|------------------|-------------------|---------------------------|
| <b>2022</b>                          | \$                 | \$                        | \$               | \$               | \$                | \$                        |
| Members distributions payable        | 81,874             | 81,874                    | 81,874           | -                | -                 | -                         |
| Net assets attributable to investors | 33,832,596         | 33,832,596                | 5,185,757        | 8,360,397        | 10,334,573        | 9,951,869                 |
|                                      | <u>33,914,470</u>  | <u>33,914,470</u>         | <u>5,267,631</u> | <u>8,360,397</u> | <u>10,334,573</u> | <u>9,951,869</u>          |

In the event that the Scheme could not meet the contractual maturities of the financial liabilities, the Scheme has the ability under its Constitution to defer the payment of valid redemption requests.

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

**Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Scheme's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Scheme's operations.

The objective of the Responsible Entity of the Scheme is to manage operational risk so as to balance the avoidance of financial losses and damage to the Scheme's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Responsible Entity. This responsibility is supported by the development of standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

WARATAH SELECT MORTGAGE FUND  
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

10. FINANCIAL RISK MANAGEMENT (CONT)

Liquidity risk (cont)

Fair values

*Fair values versus carrying amounts*

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

11. RELATED PARTIES

Responsible Entity

The Responsible Entity of Waratah Select Mortgage Fund during the financial year was Shakespeare Haney Securities Limited (ABN 23 087 435 783).

*Key Management Personnel*

The Scheme does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Scheme and this is considered the key management personnel. The directors of the Responsible Entity are key management personnel of that entity and their names are

| Name                | Period of directorship    |
|---------------------|---------------------------|
| Thomas John Haney   | Appointed 12 May 1999     |
| David John Williams | Appointed 12 May 1999     |
| Nicholas John Haney | Appointed 15 October 2014 |

The manager is entitled to a management fee.

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

*Related party investments held by the Scheme*

The scheme has no investment in the Responsible Entity, key management personnel or their associates (2022: nil).

*Key management personnel loan disclosures*

The Scheme 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 (2022: Nil).

*Other transactions within the Scheme*

Apart from those details disclosed in this note, no key management personnel has entered into a material contract with the Scheme since the end of the previous year and there were no material contracts involving such interests subsisting at year end (2022: Nil).

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

**WARATAH SELECT MORTGAGE FUND**  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**11. RELATED PARTIES (CONT)**

*Related party transactions*

The following fees were paid by the Scheme to associates of the Responsible Entity during the financial year:

|   | 2023    | 2022    |
|---|---------|---------|
|   | \$      | \$      |
| Management fees for the period, paid and payable to SH Mortgage Services Pty Ltd under the terms of the Service Agreement between that company and the Responsible Entity | 785,456 | 910,455 |

*Related party investing activities*

Details of investments in the Scheme by Shakespeare Haney Securities Limited or its related parties are set out below:

|  | Units held<br>at year end<br># | Interest<br>held in<br>scheme at<br>year end<br>% | Units<br>acquired<br>during the<br>year<br># | Units<br>disposed of<br>during the<br>year<br># | Return of<br>Unitholders<br>Funds<br>during the<br>year<br>\$ | Distributions<br>paid<br>\$ |
|--|--------------------------------|---|--|---|---|-----------------------------|
| <b>30 June 2023</b>                    |                                |   |  |   |   |                             |
| Thomas John Haney and related entities | 63,874                         | 0.20%   | -  | -   | -   | 3,512                       |
| David Williams and related entities    | 100,000                        | 0.31%   | 100,000                                      | -   | -   | 5,999                       |
| <b>30 June 2022</b>                    |                                |   |  |   |   |                             |
| Thomas John Haney and related entities | 63,874                         | 0.19%   | -  | -   | -   | 3,832                       |

**12. CONTINGENCIES**

There are no contingent liabilities at 30 June 2023 or 30 June 2022.

**13. EVENTS SUBSEQUENT TO REPORTING DATE**

There has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.



**WARATAH SELECT MORTGAGE FUND  
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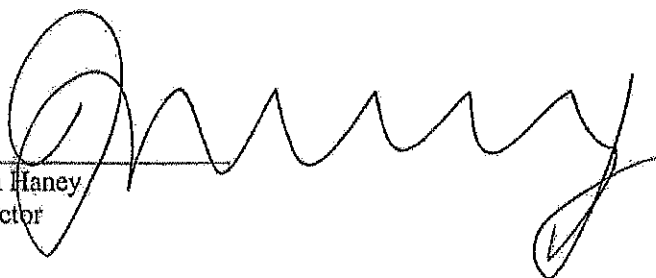
**DIRECTORS' DECLARATION**

1. In the opinion of the directors of Shakespeare Haney Securities Limited, responsible entity of Waratah Select Mortgage Fund:
  - a. The financial statements and notes set out on pages 5 to 23, are in accordance with the Corporations Act 2001, including:
    - i. giving a true and fair view of the financial position of the scheme as at 30 June 2023, and of its performance, for the financial year ended on that date; and
    - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - b. There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.
2. The directors draw attention to Note 2(a) to the financial statements which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors of Shakespeare Haney Securities Limited.

Dated at Surfers Paradise on 28 September 2023.

John Haney  
Director

A handwritten signature in black ink, appearing to read 'John Haney', written over a horizontal line. The signature is stylized and cursive.

# Independent Auditor's Report

To the shareholders of Waratah Select Mortgage Fund

## Report on the audit of the Financial Report

### Opinion

We have audited the **Financial Report** of Waratah Select Mortgage Fund (the Scheme).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Scheme's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2023
- Statement of profit or loss and other comprehensive income Statement of changes in equity, and statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Scheme in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of Waratah Select Mortgage Fund, would be in the same terms if given to the Directors as at the time of this Auditor's Report.

### Other Information

Other Information is financial and non-financial information in Waratah Select Mortgage Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The includes the Responsible Entity's Report. The Directors of Shakespeare Haney Securities Limited (the Responsible Entity) are responsible for the other information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

### Responsibilities of the Directors for the Financial Report

The Directors of Shakespeare Haney Securities Limited (the Responsible Entity) are responsible for:

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

### Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

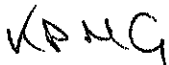
[http://www.auasb.gov.au/auditors\\_responsibilities/ar\[x\].pdf](http://www.auasb.gov.au/auditors_responsibilities/ar[x].pdf) This description forms part of our Auditor's Report.

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

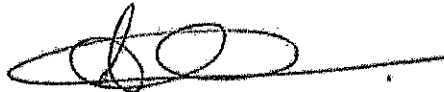
To the Directors of Shakespeare Haney Securities Limited, the responsible entity for Waratah Select Mortgage Fund

I declare that, to the best of my knowledge and belief, in relation to the audit of Waratah Select Mortgage Fund for the financial year ended 30 June 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



KPMG  
28 September 2023



Adam Twemlow  
Partner  
Surfers Paradise