

# SCHRODERS RF SELECT CREDIT FUND

## 2024 FINANCIAL REPORT

**ARSN 090 994 326**

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## DIRECTORS' REPORT

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The Directors of Schroders RF Limited ACN 089 265 270, as the Responsible Entity (Responsible Entity) of the Schroders RF Select Credit Fund (the Fund) present their report together with the financial report of the Fund for the year ended 30 June 2024.

### 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:

Simon Doyle  
Nicole Kidd  
George Kostas  
Robert Rayner

### Principal activities

The principal activity of the Fund during the financial year was the conduct of a registered managed investment scheme. 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.

### Operating results

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

### Distributions paid or recommended

During the year, the Fund distributed interest to its Members of \$14,218,697. (2023: \$11,506,571).

### Fund Operations

The Fund continues to seek quality borrowers from either established referral sources or as a result of repeat transactions in order to provide a stable return for its Members. Fund executives are experienced in these markets and are looking to work with suitable borrowers to satisfy their capital requirements in undertaking projects that demonstrate a suitable risk profile to meet the objectives of the Fund.

A conservative lending model and enhanced due diligence processes continued to be applied. Credit quality across the loan book remains strong with no interest arrears and no past due loans at 30 June 2024.

The business experienced increased Origination activity in the last quarter of financial year 2024 as a result of experienced executives with strong industry experience commencing in Origination and Credit roles earlier in the year.

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### Significant changes in the state of affairs

There have been no significant changes in the state of affairs.

### Information on Directors

**Simon Doyle** was appointed a Director of Schroders RF in June 2023. Simon is the CEO of Schroders Australia and was appointed to this role in June 2023, alongside his role as CIO. Simon has served as CIO since February 2022. Simon has 36 years of investment management experience, having started his career at AMP Capital before moving to Schroders in 2003 where he held the roles of Head of Strategy and Head of Fixed Income and Multi-Asset, which included responsibility for Schroders' Australian Multi-Asset and Private Debt capabilities.

**Nicole Kidd** was appointed a Non-Executive Director of Schroders RF in October 2022 and became Managing Director in August 2023. Nicole is also the Head of Private Debt, APAC at Schroders Capital, a position she has held since September 2020. Nicole has worked in the finance industry for the past 28 years, most recently as Managing Director and Head of Corporate Banking Australia and Institutional Client Management Asia-Pacific at RBC Capital Markets. Prior to joining RBC, Nicole was a Portfolio Manager at AMP Capital Investors. She spent the first ten years of her career at National Australia Bank.

**Rob Rayner** was appointed a Director of Schroders RF in April 2021. Rob is a founder and CEO of RF Corval and has overall responsibility for the Corval business, including investment decisions, capital management and the establishment of property investment vehicles. Rob has over 35 years of experience in the Australian financial services and property industry, with wide-ranging involvement in the establishment, re-structuring and on-going management of various property funds on behalf of both retail and private wholesale investors, family offices and institutional mandates.

**George Kostas** was appointed a Director of Schroders RF in June 2016. George is the co-founder and Managing Partner of Farrer Property with projects spanning residential, commercial, industrial, retail and hospitality across Australia and a non-executive director of the Roberts Co Group, a tier one commercial contractor with operations across Australia. Before joining RF Group, George was Chief Executive of the largest privately held real estate group in the Middle East and North Africa region, Majid Al Futtaim Properties based in Dubai. Prior to this George held various executive roles at Multiplex Group culminating in his appointment as Managing Director of the residential development business Multiplex Living and completing his tenure as Managing Director for Multiplex Construction and Development Australasia and a member of the global executive team.

## Meetings of Directors

The following table sets out the number of meetings of the Directors held during the year ended 30 June 2024 and the number of meetings attended by each Director.

Directors	Number Eligible to Attend	Attended
Simon Doyle	5	5
Nicole Kidd	5	5
Robert Rayner	5	5
George Kostas	5	4

## Matters subsequent to the end of the financial year

There are no matters subsequent to the end of the financial year.

## Likely developments and expected results of operations

The particular information required by section 299(1) (e) of the Corporations Act 2001 (the Act) has been omitted from the report because the Directors believe that it would result in unreasonable prejudice to the Fund.

The investment objective of the Fund is 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. The Fund will continue to be managed in accordance with these investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

## Environmental regulation

The Fund operations may be subject to environmental regulation under the law of the Commonwealth and the States, the directors are not aware of any environmental issues affecting the present operation of the Fund.

## Special rules for registered Funds

- (a) Fees paid by the Fund to the Responsible Entity from Fund property during the financial year amounted to \$3,123,262 (2023: \$3,832,614).
- (b) The Member interest in the Fund held by the Responsible Entity and its associates as at the end of the financial year, the total value of \$250,140 (2023: \$Nil).
- (c) The total Member interest in the Fund is 408 Members, total investment for the year amounted to \$26,924,625 (2023: \$47,486,180).
- (d) Withdrawals of interest in the Fund during the financial year amounted to \$42,838,118 (2023: \$49,706,613).

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- (e) The value of the Fund's assets at the end of the financial year was \$160,816,081 (2023: \$186,306,148) and the basis of valuation is the carrying amount of those assets, net of any allowance for impairment, as disclosed in the statement of financial position.
- (f) The value of the interests in the Fund at year-end amounted to \$158,790,047 (2023: \$174,703,541).

#### **Indemnity and insurance of officers and auditor**

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

So long as the Directors of the Responsible Entity act in accordance with the Fund's Constitution and the Law, the Directors remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

#### **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, pursuant to section 298(2) (a) of the Act.



Simon Doyle

Director

Sydney, 26 September 2024



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## Auditors' Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Schroders RF Select Credit Fund

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2024 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.

A stylized, handwritten signature of the letters 'PKF' in black ink.

PKF

A handwritten signature in black ink that reads 'P. Pearman' followed by a period.

PAUL PEARMAN  
PARTNER

26 SEPTEMBER 2024  
SYDNEY, NSW

## FINANCIAL REPORT

**30 June 2024**

## Contents

	Page
Statement of profit or loss and other comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11
Directors' declaration	25
Independent auditor's report to the Members of Schroders RF Select Credit Fund	26

## General information

The financial report covers Schroders RF Select Credit Fund (the Fund) as an individual entity. The Responsible Entity of the Fund is Schroders RF Limited ACN 089 265 270 (the 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 20  
120 Pitt St  
Sydney NSW 2000

The financial statements were authorised for issue by the Directors of the Responsible Entity on 26 September 2024. 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 year ended 30 June 2024

	Note	2024 \$	2023 \$
<b>Revenue</b>			
Mortgage interest received from borrowers	3	12,986,881	11,440,646
Bank interest received	3	2,180,006	878,411
<b>Total Revenue</b>		<b>15,166,887</b>	<b>12,319,057</b>
<b>Expenses</b>			
Mortgage interest distributed to members	4	(12,191,319)	(10,663,611)
Bank interest distributed to members	4	(2,027,378)	(842,960)
Mortgage investment management fees paid to responsible entity	4	(789,710)	(690,289)
Cash holding management fee	4	(133,983)	(35,450)
Trail fees paid to brokers	4	(24,497)	(86,747)
<b>Total Expenses</b>		<b>(15,166,887)</b>	<b>(12,319,057)</b>
<b>Profit before income tax</b>		<b>—</b>	<b>—</b>
Income tax expense		—	—
<b>Profit after income tax expense for the year</b>		<b>—</b>	<b>—</b>
Other comprehensive income for the year, net of tax		—	—
<b>Total comprehensive income for the year</b>		<b>—</b>	<b>—</b>

This statement should be read in conjunction with the notes to the financial statements



## STATEMENT OF FINANCIAL POSITION

as at 30 June 2024

	Note	2024 \$	2023 \$
<b>Assets</b>			
Cash and cash equivalents	7	48,256,019	50,817,244
Trade and other receivables	8	121,063	112,904
Financial assets	9	112,439,000	135,376,000
<b>Total assets</b>		<b>160,816,082</b>	<b>186,306,148</b>
<b>Liabilities</b>			
Trade and other payables	10	2,026,035	11,602,607
Financial liabilities	11	158,790,047	174,703,541
<b>Total liabilities</b>		<b>160,816,082</b>	<b>186,306,148</b>
<b>Net assets</b>		<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>–</b>	<b>–</b>

This statement should be read in conjunction with the notes to the financial statements

## STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2024

	Retained Profits \$	Total Equity \$
<b>Balance at 1 July 2022</b>	—	—
Total comprehensive income for the year	—	—
<b>Balance at 30 June 2023</b>	—	—
Total comprehensive income for the year	—	—
<b>Balance at 30 June 2024</b>	—	—

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

This statement should be read in conjunction with the notes to the financial statements

## STATEMENT OF CASH FLOWS

for the year ended 30 June 2024

	Note	2024 \$	2023 \$
<b>Cash flows from operating activities</b>			
Cash receipts in course of operations (including GST)		124,511,625	169,617,179
Interest received		2,180,006	878,411
Cash payments in course of operations (including GST)		(127,091,495)	(155,722,228)
Interest paid		(2,161,361)	(878,411)
Net cash (used in)/ from operating activities	14	(2,561,225)	13,894,951
<b>Cash flows from investing activities</b>			
Net cash used in investing activities		–	–
<b>Cash flows from financing activities</b>			
Net cash used in financing activities		–	–
Net (decrease)/ increase in cash and cash equivalents		(2,561,225)	13,894,951
Cash and cash equivalents at the beginning of the financial year		50,817,244	36,922,293
Cash and cash equivalents at the end of the financial year	7	48,256,019	50,817,244

This statement should be read in conjunction with the notes to the financial statements

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## NOTES TO THE FINANCIAL STATEMENTS

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30 June 2024

### 1. SIGNIFICANT ACCOUNTING POLICIES

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.

#### Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001 (the Act), the Australian Accounting Standards Board (AASB) and the Interpretations issued by the AASB and the Act. Compliance with Australian Accounting Standards ensures compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### New, revised or amending Accounting Standards and Interpretations adopted

The Fund has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. The adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Fund. Any new, revised or amending Accounting Standards and Interpretations that are not yet mandatory have not been early adopted.

#### Comparative figures

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

#### Revenue recognition

##### *Interest revenue*

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

##### *Provision of services and other revenue*

All revenue from the rendering of a service is recognised on the delivery of the service to the customers.

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

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## NOTES TO THE FINANCIAL STATEMENTS

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30 June 2024

### Financial instruments

#### *Recognition and initial measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Fund becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

#### *Classification and Subsequent Measurement*

##### *Amortised cost*

On initial recognition the Fund's financial assets are classified and measured at amortised cost.

As the financial assets meet the following criteria they are also subsequently measured at amortised cost:

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

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

## 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Key estimates – Expected Credit Loss (ECL)*

Management assess ECL at each reporting date by evaluating conditions specific to the Fund that may lead to ECL on the assets. Where a probability of default arises, the recoverable amount of the asset is determined. Judgements performed in assessing recoverable amounts incorporate a number of key economic variables.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2024

### 3. REVENUE

	2024 \$	2023 \$
Mortgage interest received from borrowers	12,986,881	11,440,646
Bank interest received	2,180,006	878,411
	15,166,887	12,319,057

### 4. ITEMS INCLUDED IN PROFIT

Profit from ordinary activities before income tax has been determined after the following expenses:

#### *Finance costs*

Mortgage interest distributed to members	(12,191,319)	(10,663,611)
Bank interest paid to members	(2,027,378)	(842,960)
Trail fees paid to brokers	(24,497)	(86,747)

#### *Responsible entity fees*

Mortgage investment management fees	(789,710)	(690,289)
Cash holding management fee	(133,983)	(35,450)
	(15,166,887)	(12,319,057)

### 5. INCOME TAXES

Under current legislation, the Fund is not subject to income tax provided the distributable income of the Fund is fully distributed to its Members. Consequently, there is no liability for income tax.

### 6. KEY MANAGEMENT PERSONNEL

#### (a) Directors

The names of the Directors of the Responsible Entity are included in the Directors' report.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2024

### (b) Other key management personnel

Nicole Kidd was appointed as Managing Director of the Responsible Entity, effective in 1 August 2023. Michael Vella moved into the role of Director, Select Credit Fund until 31 January 2024 when he retired from Schroders RF.

There were no other persons with overall responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the period.

### (c) Remuneration

Key management personnel do not receive any remuneration directly from the Fund. They receive remuneration from the Responsible Entity or its related parties. Consequently, the Fund does not pay any compensation (as defined in Accounting Standard AASB 124 Related Parties) to its key management personnel.

## 7. CASH AND CASH EQUIVALENTS

	2024 \$	2023 \$
Cash at Bank	48,256,019	50,817,244
<i>Reconciliation to cash at the end of the financial year</i>		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Balance as per statement of cash flows	48,256,019	50,817,244

## 8. TRADE AND OTHER RECEIVABLES

Other receivables	121,063	112,904
Less allowance for impairment	—	—
	121,063	112,904

The total receivables comprise of interest receivable. Interest receivable is non-interest bearing and receivable in accordance with the terms of the mortgage.

These receivables comprise interest in relation to mortgage investments that have a good debt history, are secured by real property and are considered recoverable. An ageing analysis is included in Note 13.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2024

### 9. FINANCIAL ASSETS

	2024 \$	2023 \$
<b>Loans and receivables</b>		
Mortgage investments	112,439,000	135,376,000
Less allowance for impairment	–	–
	112,439,000	135,376,000
<b>Analysis of loans and receivables</b>		
Current	112,439,000	131,176,000
Non-current	–	4,200,000
	112,439,000	135,376,000

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 provides the mortgagee a right to exercise a power of sale of the security property.

### 10. TRADE AND OTHER PAYABLES

Sundry creditors	2,026,035	11,602,607
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Sundry creditors comprise interest payable to members and retained interest held on borrowers account.



## NOTES TO THE FINANCIAL STATEMENTS

30 June 2024

### 11. FINANCIAL LIABILITIES

	2024 \$	2023 \$
Members' funds	158,790,047	174,703,541
<b>Analysis of total financial liabilities</b>		
Current	158,790,047	170,503,541
Non-current	–	4,200,000
	158,790,047	174,703,541

#### Movements in Members' funds

Interests in the Fund at the beginning of the period	174,703,541	176,923,974
Interests issued during the period	26,924,624	47,486,180
Withdrawals from the Fund during the period	(42,838,118)	(49,706,613)
Interests in the Fund at the end of the period	158,790,047	174,703,541

Members' funds are classified as a liability and accordingly the Fund has no equity for financial statement preparation purposes. Members of the Fund may hold an interest in a particular mortgage investment by way of an investment through the Syndicate PDS. Each mortgage investment is independent for accounting and security purposes.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2024

### 12. RELATED PARTY TRANSACTIONS

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

	2024 \$	2023 \$
<b>(a) Responsible Entity</b>		
Fees paid to the Responsible Entity during the year in accordance with the constitution and as disclosed in the PDS and individual syndicate PDS	3,123,262	3,832,614
Amounts payable (unsecured) to Responsible Entity by Borrowers at year end	82,344	563,125
Investments in mortgages of Schroders RF Select Credit Fund	86,667	—
<b>(b) Directors of the responsible entity and their associates/related entities:</b>		
Investments in mortgages of Schroders RF Select Credit fund	226,000	—
Investments held in Schroders RF Select Credit Fund cash balances	824,000	—

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2024

### 13. FINANCIAL RISK MANAGEMENT

The principal financial instruments of the Fund comprise of receivables, payables, mortgage investment and Members' funds. These instruments expose the Fund to a variety of financial risks such as market risk (including interest rate risk and price risk), credit risk and liquidity risk.

The Directors of the Responsible Entity manage the different types of risks to which the Fund is exposed to by considering risk and monitoring levels of exposure to interest rates and property values and by being aware of market forecasts and movements of interest rates and the impact on property markets. Ageing analysis and monitoring of specific credit allowances combined with strict procedures in relation to mortgage defaults are undertaken to manage credit risk. Liquidity risk is monitored within the Fund's Trust account.

The Fund holds the following financial instruments:

	2024 \$	2023 \$
<b>Financial assets</b>		
Cash and cash equivalents	48,256,019	50,817,244
Trade and other receivables	121,063	112,904
Loans and receivables	112,439,000	135,376,000
<b>Total Financial Assets</b>	<b>160,816,082</b>	<b>186,306,148</b>
Trade and other payables	2,026,036	11,602,607
Member funds	158,790,046	174,703,541
<b>Total financial liabilities</b>	<b>160,816,082</b>	<b>186,306,148</b>
<b>Net Exposure</b>	<b>–</b>	<b>–</b>

The carrying value of the financial instruments approximates their fair value.

Mortgage investments are for limited terms and reviewed annually. Mortgage defaults are monitored and reported to the Credit Committee on a weekly basis and the Board on a quarterly basis. The Fund has strict default procedures as disclosed in the Fund's Product Disclosure Statement (PDS), which are designed to protect the Syndicate Members in each mortgage investment.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2024

### 13. FINANCIAL RISK MANAGEMENT (CONT)

#### Risk exposures and responses

##### *Interest rate risk*

The Fund's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. It mainly relates to the funds at call as interest rates on each individual mortgage are fixed. The effect of volatility of interest rates within expected reasonable possible movements would not be material.

##### *Foreign currency risk*

At 30 June 2024 the Fund had no exposure to foreign currency.

##### *Credit risk exposures*

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

The Fund does not have any material credit risk exposure to any single borrower or group of borrowers.

In addition, any receivable balances are monitored on an ongoing basis and are secured by a mortgage over real property. Credit risk levels for each individual mortgage investment is monitored through the Loan to Value Ratio (LVR) using a valuation supplied by a Licensed Valuer for mortgage purposes. Details of each valuer and LVR levels are disclosed in each Syndicate PDS.

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

	2024		2023	
	Gross	Impairment	Gross	Impairment
	\$	\$	\$	\$
Not past due	121,063	—	112,904	—
Past due 0-30 days	—	—	—	—
Past due 31-60 days	—	—	—	—
Past due 61-90 days	—	—	—	—
Past due 90 days to one year	—	—	—	—
More than one year	—	—	—	—
<b>Total</b>	<b>121,063</b>	<b>—</b>	<b>112,904</b>	<b>—</b>

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## NOTES TO THE FINANCIAL STATEMENTS

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30 June 2024

### 13. FINANCIAL RISK MANAGEMENT (CONT)

#### *Price risk*

The Fund has no exposure to commodity and equity securities price risk.

#### *Liquidity risk*

The Fund manages liquidity risk by matching the individual maturity profiles of financial assets and liabilities to each Syndicate.

#### *Maturity analysis*

All payables will be paid within 6 months (or as interest in arrears is recovered from borrowers).

Member funds in the Fund will mature in accordance with the following profile:  
uncommitted cash on deposit is available on request; and funds invested in mortgage investments are available on termination of the individual syndicate investments or discharge of the mortgage.

The Board and the external Compliance Committee review the liquidity requirements of the Fund on a quarterly basis in accordance with the Compliance Plan applicable for this financial period.

#### *Collateral*

The market value of security pledged as collateral for financial assets is \$222,674,672 for the year ended 30 June 2024 (2023: \$296,910,000). This amount is based on the most recent valuations obtained for each financial asset.

#### *Allowance for impairment loss*

The Fund is not a pooled fund but operates as a contributory mortgage scheme. Therefore impairment loss is limited to the Syndicate Members of the individual mortgage investment. Based on the current market value of collateral held and consideration of the ECL criteria, the Directors have determined that no impairment loss is required.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2024

### 13. FINANCIAL RISK MANAGEMENT (CONT)

#### *Defaults in relation to financial assets*

As at balance date the Fund had the following mortgage investments in default (i.e. past due for principal repayment):

	Number of assets	2024 Gross asset value \$	Impairment	Number of assets	2023 Gross asset value \$	Impairment
Past due 0-30 days	–	–	–	1	2,275,000	–
Past due 31-60 days	–	–	–	1	1,080,000	–
Past due 61-90 days	–	–	–	–	–	–
Past due 90 days to one year	–	–	–	–	–	–
More than one year	–	–	–	–	–	–
Total			–	2	3,355,000	–

The proportion of mortgage investments in default in relation to the total Fund mortgage investments is 0% (2023: 2.48%) by value of financial assets and 0% (2023: 4.08%) by number of mortgage investments.

The maturity date of each Mortgage is registered into the Fund's automated system and monitored on an ongoing basis. Default actions are commenced once a Mortgage renewal extends past the maturity date by 60 days, if proceedings have not previously commenced. The Responsible Entity monitors all mortgage defaults on an ongoing basis, which is reported weekly to the Credit Committee and quarterly to the Board.

An allowance for impairment has been recognised in relation to any financial assets in default where evidence indicates that the loan exposure exceeds the available equity in the security held (less any anticipated costs associated with realising the security). Exposure to the impaired loan is limited to the Syndicate Members of the individual mortgage investment.

#### *Capital risk strategy*

The Fund manages its Members' funds as capital, notwithstanding the Member's funds are classified as a liability for the purposes of presentation of the financial statements. The Fund's objectives when managing capital are:

to safeguard the individual Member's interest in each Syndicate and the overall Fund; and

to continue as a going concern so that the Fund can continue to provide returns to the Members and the Responsible Entity as disclosed in the Fund's PDS and individual Syndicate PDS.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2024

### 14. CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with profit from ordinary activities after income tax.

	2024 \$	2023 \$
Profit from ordinary activities, after income tax	—	—
(Increase)/decrease in trade and other receivables	(8,158)	39,118
(Decrease) in trade and other payables	(9,595,218)	(10,754,533)
Decrease in financial assets	25,117,006	26,830,800
(Decrease) in Members funds	(18,074,855)	(2,220,434)
Cash flow (used in)/ from operating activities	(2,561,225)	13,894,951

### 15. CAPITAL AND LEASING COMMITMENTS

Mortgage investments committed as at 30 June 2024 but not yet drawn down total \$nil (2023: \$nil).

### 16. CONTINGENT LIABILITIES

The Directors of the Responsible Entity are not aware of any contingent liabilities relating to the Fund.

### 17. AUDITORS REMUNERATION

All costs associated with the audit of the Fund are paid by the Responsible Entity

### 18. EVENTS SUBSEQUENT TO REPORTING DATE

No matter or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in a future financial period.

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**NOTES TO THE FINANCIAL STATEMENTS**

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30 June 2024

**19. FAIR VALUE MEASUREMENT***Fair value hierarchy*

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

*Fair value of financial assets and financial liabilities not carried at fair value*

At 30 June 2024:

	Carrying amount \$	Fair value \$	Fair value hierarchy level
Trade and other receivables	121,063	121,063	Level 3
Financial assets – loans and receivables	112,439,000	112,439,000	Level 3
Trade and other payables	2,026,035	2,026,035	Level 3
Financial liabilities – Members funds	158,790,047	158,790,047	Level 3

At 30 June 2023:

	Carrying amount \$	Fair value \$	Fair value hierarchy level
Trade and other receivables	112,904	112,904	Level 3
Financial assets – loans and receivables	135,376,000	135,376,000	Level 3
Trade and other payables	11,602,607	11,602,607	Level 3
Financial liabilities – Members funds	174,703,541	174,703,541	Level 3



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## NOTES TO THE FINANCIAL STATEMENTS

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30 June 2024

### 19. FAIR VALUE MEASUREMENT (CONT)

The carrying value of trade and other receivables and trade and other payables approximate fair value.

The fair value of mortgage investment and Members' funds are estimated by discounting the future contractual cash flows at the current market interest rates for mortgage investments with similar risk profiles.

## DIRECTORS' DECLARATION

In the opinion of the Directors of Schroders RF Limited:

- the attached financial statements and notes thereto comply with the Act, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Registered Fund's financial position as at 30 June 2024 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Registered 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:



Simon Doyle

Director

Sydney, 26 September 2024

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF SCHRODERS RF SELECT CREDIT FUND

#### Report on the Financial Report

##### Opinion

We have audited the accompanying financial report of Schrodgers RF Select Credit Fund (the "Fund"), which comprises the statement of financial position as at 30 June 2024, 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, notes comprising the material accounting policy information and other explanatory information, and the Directors' Declaration of the Fund.

In our opinion, the accompanying financial report of the Schrodgers RF Select Credit Fund is in accordance with the Corporations Act 2001, including:

- i) giving a true and fair view of the Fund's financial position as at 30 June 2024 and of its performance for the year ended on that date; and
- ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

##### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Independence

We are independent of the Fund in accordance with the auditor independence requirements of 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.

## Other Information

Those charged with governance 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, the auditor does not and will 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.

If, based on the work we have performed, 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 Directors' for the Financial Report

The Directors of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the Fund or to cease operations, or have 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

### Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



PKF



PAUL PEARMAN  
PARTNER

26 SEPTEMBER 2024  
SYDNEY, NSW

