



CERTAINTY INCOME FUND
ARSN 669 751 204

FINANCIAL REPORT

FOR THE PERIOD 7 JULY 2023 TO 30 JUNE 2024

**CERTAINTY INCOME FUND
ARSN 669 751 204
ANNUAL REPORT
FOR THE PERIOD 7 JULY 2023 TO 30 JUNE 2024**

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CERTAINTY INCOME FUND
ARSN 669 751 204
RESPONSIBLE ENTITY REPORT
FOR THE PERIOD 7 JULY 2023 TO 30 JUNE 2024

The Directors of the Responsible Entity, CW RM Limited, present their report together with the financial statements of the Certainty Income Fund ('the Fund'). The Fund was established on 7 July 2023 and registered with ASIC on 28 July 2023, therefore the report and financial statements are for the period 7 July 2023 to 30 June 2024.

1. Directors

The following persons held office as directors of the Responsible Entity during the period and up to the date of this report:

Damien Edward Gwynne
Sangeeta Lohari Venkatesan
William Darcy Davidson

2. Principal Activities

The Fund is a registered unlisted managed investment scheme domiciled in Australia. The Fund was established on 7 July 2023, registered with ASIC on 28 July 2023 and commenced operations in December 2023. The principal activity and investment strategy of the Fund is to primarily invest in medium to long term mortgages and mortgage secured investments over Australian real property. This is achieved via providing credit loans to a related party, Certainty Home Loans Pty Ltd, who in turn lend the funds to the ultimate borrower.

CW IM Pty Ltd is the Investment Manager of the Fund and is a related party of CW RM Limited.

3. Operating Results

The Fund actively began operations in December 2023 and investment income of \$187,075 less expenses of \$62,382 resulted in a distribution to unitholders of \$124,693 for the period. Refer to 'Review of Performance' in Section 5 of the Responsible Entity Report for more details on the performance of the Fund.

4. Review of Operations

The Fund issues credit loans to a related party, Certainty Home Loans Pty Ltd. Certainty Home Loans Pty Ltd then uses the funds to provide medium to long term mortgages over Australian real property to the ultimate borrower.

As at 30 June 2024 the Fund's investments comprised the following:

Investment	30 June 2024 \$
Loan to Certainty Home Loans Pty Ltd (classified at fair value through profit or loss)	6,384,742

The custodian of the Fund is Perpetual Corporate Trust Limited, appointed by CW RM Limited in its capacity as Responsible Entity of the Fund.

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5. Review of Performance

As described in the Fund's PDS, the Fund operates four investment accounts for investors. Each investment account has a different target return rate, and all investment accounts operate as pooled accounts.

Investment Option	Target return % p.a.	Actual return % p.a.
Cash Units	Nil	Nil
7 Day Unit – Cash rate +0.5%	4.85%	4.85%
90 Day Unit – Cash rate +1.0%	5.35%	5.35%
12 Month Unit – Cash rate + 1.5%	5.85%	5.85%
Subordinated Units – Cash rate + 1.5%	5.85%	5.85%

As all excess profits of the Fund are distributed to unitholders, the unit price remained constant at \$1.00 throughout the period and as at 30 June 2024.

6. Units Issued or Redeemed

Units in the Fund issued or redeemed during the period were as follows:

	Cash units	7-day units	90-day units	12-month units	Subordinate d units	Total
Opening balance	-	-	-	-	-	-
Units issued – applications	7,684,544	-	-	-	-	7,684,544
Units converted	(6,739,450)	35,000	215,000	6,329,450	160,000	-
Units redeemed	-	-	-	(75,000)	-	(75,000)
Closing balance	945,094	35,000	215,000	6,254,450	160,000	7,609,544

As stipulated in the Fund's Constitution, each unit represents a right to an individual unit in the Fund and does not extend to a right to the underlying assets of the Fund.

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7. Distributions Paid

The following distributions were paid or are payable during the period for each investment account:

Investment Option	Total distribution paid or payable to unit holders during the period \$
Cash Units	Nil
7 Day Unit – Cash rate +0.5%	316
90 Day Unit – Cash rate +1.0%	2,286
12 Month Unit – Cash rate + 1.5%	116,629
Subordinated Units – Cash rate + 1.5%	5,462

8. Applications Held

As at 30 June 2024, there were pending applications of \$1,042,500. These pending application funds are not reflected in the financial statements as are not under the direction of the Fund as at 30 June 2024.

9. Value of Scheme Assets

The (GAV) of the Fund's assets at 30 June 2024 was \$7,693,405. The Net Asset Value (NAV) at 30 June 2024 was \$7,609,544.

10. Redemption Arrangements

As detailed in the Fund's PDS, the Fund is a liquid fund and intends to satisfy withdrawal requests within the advertised time frames if permissible by law, and if the Fund has sufficient liquidity. However, as detailed in the Fund's Constitution, the Responsible Entity has up to 12 months to satisfy withdrawal requests if required.

All withdrawal requests were satisfied during the advertised timeframes during the period.

11. Options

No options over issued units or interests in the Fund were granted during or since the end of the financial period and there were no options outstanding at the date of this report. The Directors and executives of the Responsible Entity hold no options over interests in the Fund.

12. Proceedings on Behalf of the Fund

No person has applied to the court for leave to bring proceedings on behalf of the Fund, or to intervene in any proceedings to which the Fund is a party, for the purpose of taking responsibility on behalf of the Fund for all or any part of their proceedings.

13. Significant Changes in State of Affairs

Apart from those matters referred to in the previous sections of this Responsible Entity Report, there have been no other significant changes to the state of affairs of the Fund during the period.

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14. Future Developments

The Fund will continue to provide loans to Certainty Homes Loans Pty Ltd in order to grow its asset base and maximise investment returns.

There are no other future developments to report on which are not otherwise disclosed in this report.

15. Indemnifying Officers or Auditor

In accordance with the Constitution of the Responsible Entity, and where permitted under relevant legislation, the Responsible Entity indemnifies the Directors against all liabilities to another person that may arise from their position as Directors of the Responsible Entity, except where the liability arises out of conduct involving lack of good faith, wilful misconduct, gross negligence, reckless behaviour or fraud.

During the financial period the Responsible Entity has insured the Directors against liabilities incurred in their role as Directors of the Responsible Entity. These premiums were paid by another entity.

The Responsible Entity has not given or agreed to give any indemnity to an auditor of the Fund and has not paid any premium for insurance against the auditor's liabilities for legal costs.

16. Fees, Commissions or Other Charges by the Responsible Entity, Investment Manager or Related Parties

No fees were accrued or paid by the Fund to the Responsible Entity for the period. Fees of \$19,848 (plus GST) were accrued or paid by the Fund to the Investment Manager. This equates to 0.26% p.a. of the GAV of the Fund.

The Responsible Entity is entitled to fees up to 5% p.a. of the GAV of the Fund, and the Investment Manager is entitled to a fee up to 2.3% p.a. of the GAV of the Fund, however any fees payable above what was actually accrued or paid to the Responsible Entity or Investment Manager during the period were irrevocably waived at 30 June 2024 with no recourse to reclaim these fees in future periods.

17. Units held by the Responsible Entity, Investment Manager or Related Parties

As at 30 June 2024, no units were held by the Responsible Entity or Investment Manager. A director of the Responsible Entity held 160,000 subordinated units at 30 June 2024.

Subordinated units are restricted to entities related to the Responsible Entity. This class of unit is subject to compulsory redemption (for a nominal amount only) in the event the Fund suffers a capital loss due to defaulting or impaired loans. In this way the subordinated units incur the first loss ahead of other unitholders. These units are entitled to income distributions only after holders of other unit classes have been paid distributions for a period and they rank after those classes in the event of a return of capital.

18. Environmental Issues

The operations of the Fund are not subject to any particular or significant environmental regulations under a law of the Commonwealth or of a State or Territory in Australia.

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19. After Balance Date Events

No matters or circumstances have arisen since the end of the 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 future financial years.

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

The lead auditor's independence declaration is set out on the following page and forms part of the Responsible Entity Report for the period ended 30 June 2024.

Signed in accordance with a resolution of the Board of Directors of the Responsible Entity, CW RM Limited by:



Damien Gwynne

Director

Date: 18 September 2024

Grant Thornton Audit Pty Ltd

Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001
T +61 3 8320 2222

Auditor's Independence Declaration

To the Directors of Certain Income Fund

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Certain Income Fund for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 18 September 2024

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CERTAINTY INCOME FUND
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD 7 JULY 2023 TO 30 JUNE 2024

	Notes	2024
		\$
Investment income		
Interest income from financial assets at fair value through profit or loss		129,344
Interest income from financial assets at amortised cost		57,731
Total investment income		<u>187,075</u>
Expenses		
Investment Manager fees	5(b)	(19,848)
Audit fees	6	(20,394)
Custodian fees	7	(12,436)
Compliance plan audit fees	6	(4,532)
Tax compliance fees		(3,465)
Other expenses		(1,707)
Total expenses		<u>(62,382)</u>
Profit for the period attributable to unitholders		<u>124,693</u>
Distributions paid/accrued		
7-day units		(316)
90-day units		(2,286)
12-month units		(116,629)
Subordinated units		(5,462)
Total distributions		<u>(124,693)</u>
Profit for the period		<u>-</u>
Other comprehensive income for the period		-
Total other comprehensive income		<u>-</u>
Total comprehensive income for the period		<u><u>-</u></u>

The accompanying notes form part of these financial statements

CERTAINTY INCOME FUND
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STATEMENT OF FINANCIAL POSTION
AS AT 30 JUNE 2024

	Notes	2024 \$
Current assets		
Cash and cash equivalents		1,298,144
Financial assets at fair value through profit or loss	4	94,050
Other receivables		10,519
Total current assets		1,402,713
Non-current assets		
Financial assets at fair value through profit or loss	4	6,290,692
Total non-current assets		6,290,692
Total assets		7,693,405
Liabilities		
Fees payable or accrued	8	52,554
Distributions payable		31,307
Total liabilities (excluding investor's funds)		83,861
Net assets attributable to investors (investors' funds)		7,609,544
Represented by the following unit classes:		
Cash Units		945,094
7 Day Units		35,000
90 Day Units		215,000
12 Month Units		6,254,450
Subordinated Units		160,000
	9	7,609,544

The accompanying notes form part of these financial statements

CERTAINTY INCOME FUND
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STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 7 JULY 2023 TO 30 JUNE 2024

	Total Equity
	\$
Balance at 7 July 2023	-
Total comprehensive income for the period	-
Transactions with unitholders of the Fund	-
Balance at 30 June 2024	-

Net assets attributable to investors are classified as a liability rather than equity. As a result, there was no equity at the start or end of the period.

The accompanying notes form part of these financial statements

CERTAINTY INCOME FUND
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STATEMENT OF CASH FLOWS
FOR THE PERIOD 7 JULY 2023 TO 30 JUNE 2024

	Notes	2024 \$
Cash flows from operating activities		
Payments to suppliers		(10,422)
Interest received on bank deposits		47,806
Net cash provided by operating activities	10	37,384
Cash flows from investing activities		
Payment for the purchase of financial assets		(6,398,600)
Proceeds from repayment of financial assets		50,770
Interest received from financial assets at fair value through profit or loss		92,432
Net cash used in investing activities		(6,255,398)
Cash flows from financing activities		
Proceeds from the issue of units		7,684,544
Investor redemptions		(75,000)
Investor distributions		(93,386)
Net cash provided by financing activities		7,516,158
Net decrease in cash and cash equivalents		1,298,144
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		1,298,144

The accompanying notes form part of these financial statements

CERTAINTY INCOME FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 7 JULY 2023 TO 30 JUNE 2024

1. REPORTING ENTITY

The financial report is the first financial report for the Certainty Income Fund (“the Fund”). The Fund was established on 7 July 2023, registered with ASIC on 28 July 2023 and commenced operations in December 2023 therefore the financial statements are for the period 7 July 2023 to 30 June 2024. As this is the first financial report of the Fund there are no comparative results to disclose. The Fund is an open-ended registered managed investment scheme established and domiciled in Australia. The Responsible Entity of the Fund is CW RM Limited.

The principal activity of the Fund is to invest funds in accordance with its investment objectives and guidelines as set out in the current Product Disclosure Statement, dated 3 August 2023, and therefore primarily invests in medium to long term mortgages and mortgage secured investments over Australian real property.

2. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (“AASB”) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards adopted by the International Accounting Standards Board.

The Fund is a for-profit unit trust for the purpose of preparing the financial statements.

The financial statements were approved by the Board of Directors of the Responsible Entity.

(b) Basis of measurement

The financial report is prepared on the historical cost basis except for the following items in the statement of financial position:

- *Financial assets mandatorily designated as fair value through profit or loss* – Related party loans receivable from Certainty Home Loans Pty Ltd (“CHL”) are mandatorily classified at fair value through profit or loss and hence measured at fair value.

(c) Functional and presentation currency

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

(d) Critical Accounting Estimates and Judgements

The preparation of financial statements requires the Directors of the Responsible Entity to make judgments, 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.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements that could result in a material adjustment to the carrying amount is included in the following note.

CERTAINTY INCOME FUND
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NOTES TO THE FINANCIAL STATEMENTS
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2. BASIS OF PREPARATION (continued)

(d) Critical Accounting Estimates and Judgements (continued)

Fair value classification and measurement

As further explained in Note 4, it was concluded that the loan to CHL should be mandatorily classified at fair value through profit or loss and not at amortised cost. When an asset is measured at fair value for recognition or disclosure purposes in accordance with AASB 13 *Fair Value Measurement*, the fair value is based on the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market. Fair value is measured using the assumptions that market participants would use when pricing the asset assuming they act in their economic best interests. The fair value of assets in an unquoted market, such as those of the Fund, requires significant judgement. Further details of this critical accounting estimate are detailed in Note 4 and Note 12(b) of these financial statements.

Assessment of whether Certainty Income Fund controls Certainty Home Loans Pty Ltd

AASB 10 *Consolidated Financial Statements* states an investor is considered to control an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The assessment of whether the Fund may control Certainty Homes Loans Pty Ltd was relevant to the preparation of the financial statements as CHL is listed in the Product Disclosure Statement as a part of the Fund's investment Strategy.

However, due to the fact the Fund is not a shareholder of CHL and the loan agreement between the Fund and CHL does not impose any restrictions on CHL engaging in other business activities, meaning CHL could pursue lending opportunities with other entities, it was concluded that the Fund does not possess power over CHL. Further supporting the conclusion the Fund does not have power over CHL is the fact that CHL may seek financing from various sources if needed, can voluntarily prepay the loan from the Fund and make other independent investment decisions which could impact CHL's returns, meaning CHL is not subject to control or direction by the Fund.

It was also concluded that whilst the Fund has some exposure to variable returns, these are limited only to the extent of the loan amount between the Fund and CHL and not to the entity of CHL as a whole.

As a result, it was concluded that the Fund does not control CHL and hence CHL is not consolidated into these financial statements.

CERTAINTY INCOME FUND
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NOTES TO THE FINANCIAL STATEMENTS
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3. MATERIAL ACCOUNTING POLICIES

The following material accounting policies have been adopted in the preparation of this financial report:

(a) Classification and measurement of financial assets

Financial assets are recognised on the Fund's Statement of Financial Position when the Fund becomes a party to the contractual provisions of the instrument.

The classification of financial assets under AASB 9 *Financial Instruments* is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial assets mandatorily classified as fair value through profit or loss

As referred to in note 4, the Fund holds debt based financial assets which are mandatorily classified at fair value through profit or loss ("FVTPL"). These relate to loans issued to a related party, Certainty Home Loans Pty Ltd.

Under this approach, financial assets are measured initially at fair value and also subsequently measured at fair value. Net gains and losses, including any interest income, are recognised in profit or loss.

Fair value in an inactive or unquoted market

The Fund's investments that are designated as fair value through profit or loss are level 3 assets in the fair value hierarchy as they are not traded in an active market, and the fair value of these financial assets is calculated as the future estimated cash flows of the mortgage secured loans issued by Certainty Home Loans Pty Ltd which are used by Certainty Homes Loans Pty Ltd to repay the financial asset. The estimation of these future cash flows requires judgment and is therefore a critical accounting estimate.

(b) Income tax

Under current legislation, the Fund is not liable for income tax provided its taxable income is fully distributed to unitholders.

(c) Investor Funds

The Fund issues units which are redeemable upon request, and furthermore there is an obligation to return funds to investors and hence investor funds are classified as a financial liability in accordance with AASB 132 *Financial Instruments: Presentation* as amended by AASB 2008-2 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation*.

(d) Accounting standards and interpretations not yet mandatory or early adopted during the period

There are no standards that are not yet effective that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions. The Fund has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

CERTAINTY INCOME FUND
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NOTES TO THE FINANCIAL STATEMENTS
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4. FINANCIAL ASSETS MANDATORILY CLASSIFIED AS FAIR VALUE THROUGH PROFIT OR LOSS

As at the end of the period, the Fund's investments were comprised of:

	2024
	Fair value
	(\$)
Loans receivable – current	94,050
Loans receivable – non current	6,290,692
Total	<u>6,384,742</u>

The Loan Agreement between Certainty Income Fund and Certainty Home Loans Pty Ltd (CHL) includes a requirement for CHL to repay to the Fund any principal and interest amounts received from the underlying mortgages each month. The interest rate applicable to the agreement is the weighted average of interest rates for all loans made by CHL.

Additionally, the Loan Agreement contains a clause limiting CHL's liability, explicitly stating that CHL's liability is restricted to the amounts received from loans and secured property. Therefore, CHL's responsibility for making payment to the Fund is limited to the funds it has received from the underlying mortgage loans, making the Loan Agreement limited recourse in nature.

Due to the limited recourse nature of the loan, the contractual cash flows from the loan receivable held by the Fund are contingent on the performance of the underlying mortgage portfolio of CHL i.e. the loan receivable of the Fund incorporates not only the credit risk associated with CHL as a counterparty, but also an asset-specific performance risk.

The interest charges on the loan receivable therefore do not strictly represent payments on the outstanding principal amount, but an investment in the cash flows generated by the mortgage loan portfolio. Consequently, the contractual cash flows are not solely payments of principal and interest on the outstanding principal amount and the loan receivable financial asset is therefore mandatorily required under AASB 9 *Financial Instruments* to be classified as FVTPL.

Certainty Homes Loans Pty Ltd is a related party of the Responsible Entity as one of the Directors of the Responsible Entity is the sole director of Certainty Homes Loans Pty Ltd.

The Fund's loan receivable from CHL is a level 3 asset in the fair value hierarchy. Level 3 fair values utilise inputs that are not based on observable market data.

Valuation inputs for Level 3 investments

CHL lends funds to external borrowers under a first registered mortgage arrangement. The fair value of the loan receivable from CHL is therefore based on the present value of the expected future cash flows, which is reflected by the carrying value of mortgage loans receivable held by Certainty Home Loans Pty Ltd.

The estimated fair value would decrease if the expected cash flows were lower as a result of loans being in default and unable to be recovered.

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4. FINANCIAL ASSETS MANDATORILY CLASSIFIED AS FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Level 3 recurring fair values:

The following table presents the changes in the fair value of level 3 investments during the period:

	2024
	\$
Opening fair value	-
Drawdown of new loans	6,398,600
Interest income (realised fair value gain)	129,344
Fair value gain/(loss) (unrealised)	-
Repayment of principal and interest	(143,202)
Closing fair value	<u>6,384,742</u>

There have been no transfers between levels of the fair value hierarchy during the period.

There has been no increase or decrease in fair value due to a change in credit risk of the financial asset.

5. RESPONSIBLE ENTITY AND INVESTMENT MANAGER FEES

(a) Responsible entity & administration manager fees

	2024
	\$
Responsible Entity fees	-
	<u>-</u>

In accordance with the PDS, the Responsible Entity of the Fund is entitled to receive an annual fee up to 5% of the Gross Asset Value (GAV) of the Fund (calculated and paid monthly in arrears), however during the period no Responsible Entity fees were charged by the Responsible Entity in order to support the Fund in its first period of operation. These fees have been irrevocably waived and the Responsible Entity has no recourse to recover the fees for this period in future years.

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5. RESPONSIBLE ENTITY AND INVESTMENT MANAGER FEES (continued)

(b) Investment manager fees

	2024
	\$
Investment Manager fees	19,848
	19,848

In accordance with the PDS, CW IM Pty Ltd as Investment Manager is entitled to a management fee of:

- Cash units – no fee
- 7-day unit fee – 2.3% per annum of the GAV attributable to this unit class.
- 90-day unit fee – 1.8% per annum of the GAV attributable to this unit class.
- 12-month unit fee – 1.6% per annum of the GAV attributable to this unit class.
- Subordinated units – no fee

Actual investment management fees charged during the period were \$19,848 (plus GST) which equates to 0.26% of the GAV of the Fund which is less than what the Investment Manager is entitled to. Any fees payable to the Investment Manager above what was actually accrued or paid during the period have been fully waived at 30 June 2024 and the Investment Manager has no recourse to recover the additional fees for this period in future periods.

6. REMUNERATION OF AUDITORS

The financial statement auditor of the Fund for the period ended 30 June 2024 was Grant Thornton Audit Pty Ltd.

The fees paid or agreed to be paid by the Fund are disclosed below.

	2024*
(a) Audit and review services	\$
Grant Thornton Audit Pty Ltd	
- Audit and review of financial reports	20,394
- Compliance plan audit	4,532
(b) Assurance services	
Grant Thornton Audit Pty Ltd	
- Other assurance services	-

**Amounts stated are inclusive of GST which is not able to be claimed by the Fund as it is not eligible for reduced input tax credits and hence the GST portion is recognised as an expense in profit or loss.*

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7. CUSTODIAN FEES

	2024
	\$
Custodian fees	<u>12,436</u>
	<u>12,436</u>

In accordance with the Custodian Agreement the custodian is entitled to an annual fee of 0.025% of the GAV of the Fund subject to a minimum of \$17,500 per annum (plus GST) calculated and payable quarterly in arrears subject to a CPI increase applied annually on 1 July of each year. Perpetual Corporate Trust Limited were Custodian of the Fund for the whole period. Actual custodian fee expense is less than minimum of \$17,500 per annum quoted above as custody arrangement did not commence until November 2023 hence fee is for less than 1 year.

All cash and investments held by the Fund are held under the custody of the Custodian.

8. FEES PAYABLE OR ACCRUED

	2024
	\$
Custodian fees	4,315
Financial audit fees	20,394
Compliance audit fees	4,532
Tax compliance fees	3,465
Investment Manager fees	19,848
	<u><u>52,554</u></u>

9. INVESTOR FUNDS

(a) Investor funds

	Cash units	7-day units	90-day units	12-month units	Subordinated units	Total
	\$	\$	\$	\$	\$	\$
Opening balance	-	-	-	-	-	-
Units issued – applications	7,684,544	-	-	-	-	7,684,544
Units converted	(6,739,450)	35,000	215,000	6,329,450	160,000	-
Units redeemed	-	-	-	(75,000)	-	(75,000)
Closing balance	<u>945,094</u>	<u>35,000</u>	<u>215,000</u>	<u>6,254,450</u>	<u>160,000</u>	<u>7,609,544</u>

As stipulated in the Fund's Constitution, each unit represents a right to an individual unit in the Fund and does not extend to a right to the underlying assets of the Fund.

CERTAINTY INCOME FUND
ARSN 669 751 204
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 7 JULY 2023 TO 30 JUNE 2024

10. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2024
Cash flows from operating activities	\$
Profit for the period (before distributions)	124,693
Less interest earned on financial assets at fair value through profit or loss	(129,344)
Increase in other receivables	(10,519)
Increase in trade and other payables	52,554
Cash flows provided by operating activities	<u>37,384</u>

11. RELATED PARTY TRANSACTIONS

The Fund's related parties include those described below.

(a) Responsible Entity

The Responsible Entity of the Fund over the period was CW RM Limited.

	Transaction values for the period ended 30 June 2024	Balance outstanding as at 30 June 2024
	\$	\$
<i>Responsible Entity Fees</i>		
CW RM Limited	-	-

As disclosed in note 5, CW RM Limited irrevocably waived the Responsible Entity fees it was entitled to during the period, with no recourse to recover the waived fees for this period in future years.

(b) Investment Manager

The Investment Manager of the Fund is CW IM Pty Ltd and is a related party as one of the Directors of the Responsible Entity is the sole director of CW IM Pty Ltd.

	Transaction values for the period ended 30 June 2024	Balance outstanding as at 30 June 2024
	\$	\$
<i>Investment Manager Fees</i>		
CW IM Pty Ltd	19,848	19,848

CW IM Pty Ltd was Investment Manager of the Fund for the whole of the period.

As disclosed in note 5, CW IM Pty Ltd irrevocably waived any additional Investment Manager fees it was entitled to during the period, with no recourse to recover the waived fees for this period in future years.

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NOTES TO THE FINANCIAL STATEMENTS
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11. RELATED PARTY TRANSACTIONS (continued)

(d) Other related party transactions

The Fund lends funds to Certainty Home Loans Pty Ltd, a related party of the Responsible Entity, CW RM Limited. Certainty Home Loans Pty Ltd is also a related party as one of the Directors of the Responsible Entity is the sole director of Certainty Home Loans Pty Ltd.

Transactions with Certainty Home Loans Pty Ltd are limited to the lending of funds, which are disclosed in Note 4. There are no other transactions between Certainty Home Loans Pty Ltd and the Fund.

(e) Key management personnel

The Fund does not employ personnel in its own right. However, it has an incorporated Responsible Entity to manage the activities of the Fund. The Directors of the Responsible Entity and Investment Manager are key management personnel of those corporate entities. No compensation is paid directly by the Fund to Directors or to any of the key management personnel of the Responsible Entity, nor are these expenses recharged to the Fund. Payments made by the Fund to the Responsible Entity do not specifically include any amounts attributable to the compensation of key management personnel.

12. FINANCIAL INSTRUMENTS

(a) Overview

The Fund has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Fund's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Directors of the Responsible Entity have overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

(b) Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's receivable from CHL.

Other receivables of \$10,519 relate to GST receivable from the ATO and accrued bank interest, and hence the risk of the Fund not recovering this balance is deemed remote.

The carrying amounts of financial assets represent the maximum credit exposure.

The Fund's exposure to credit risk is influenced via the credit risk of the underlying mortgages issued by CHL.

Although the mortgage loans are held by CHL and not directly by the Fund, the following credit risk disclosures specific to the underlying mortgage loans has been included as the Directors are of the view such presentation will provide a more transparent disclosure of the credit risk of the loan receivable from CHL as the credit risk of the underlying mortgages impacts the fair value of the loan receivable recognised in the Fund.

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FOR THE PERIOD 7 JULY 2023 TO 30 JUNE 2024

12. FINANCIAL INSTRUMENTS (continued)

(b) Credit risk (continued)

CHL has an established loan approval policy under which each new borrower is assessed individually for their ability to service the loan. Whilst a maximum loan to value ratio (LVR) of 90% is applied to non-development loans, the average LVR of loans held at 30 June 2024 was 53.36%. A registered first mortgage is obtained for every loan and is monitored to ensure the LVR is not exceeded.

CHL has a written valuation policy for the valuation of each property used as security for loans. The valuation policy requires a current independent valuation to be provided both when the loan is approved, and also when the loan is renewed (or an impairment indicator arises). The valuations are performed by a qualified, independent and objective registered valuer randomly selected from a panel of authorised valuers.

Impairment losses on the loan receivable from CHL (classified at fair value through profit or loss) are reflected in the calculation of the change in fair value recognised in profit or loss. No loans were deemed impaired at 30 June 2024 and hence there was no reduction in estimated cashflows used in calculating the fair value. Therefore, no reduction in fair value was recognised in profit or loss.

At 30 June 2024 all CHL mortgages were residential. All mortgages are via Self-Managed Superannuation Funds and none relate to personal home loans or any other type of loan.

Borrower Type	No. of Loans:	Amount (\$):	Average LVR:
SMSF	20	6,378,721	53.36%
Personal loan	-	-	-

Security Classification:	No. of Loans:	Amount (\$):	Average LVR:
Residential	20	6,378,721	53.36%

There are no loans issued by CHL to borrowers that represent more than 10% of the Fund's total funds under management.

Geographical analysis of CHL loan portfolio (location of mortgaged property):

State or territory:	No. of Loans:	Amount (\$):	% of Total Loans:	Average LVR:
VIC	12	3,829,965	60.04%	54.75%
QLD	7	2,217,900	34.77%	49.60%
NSW	1	330,856	5.19%	62.53%
Total	20	6,378,721	100%	53.36%

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12. FINANCIAL INSTRUMENTS (continued)

(b) Credit risk (continued)

The maturity analysis of contractual principal repayments at 30 June 2024 is as follows:

	Contractual maturities (principal repayments)
Not more than 1 year	92,021
More than 1 year but less than 5 years	574,722
More than 5 years but less than 10 years	675,548
More than 10 years but less than 15 years	884,938
More than 15 years but less than 20 years	1,246,907
More than 20 years but less than 25 years	1,534,615
More than 25 years but less than 30 years	1,369,970

Any early prepayment of principal received by CHL is required to be remitted to the Fund.

CHL Mortgage performance analysis:

State or territory:	No. of Loans:	Loan amount (\$):	% of Total Loans:	Past due balance:
Performing*	20	6,378,721	100	-
Total non-performing	-	-	-	-

Provision for mortgage impairments

All mortgage loans held by CHL were performing at 30 June 2024 and therefore no reduction in cashflows used to determine the fair value of the loan receivable from CHL was recognised. Mortgage investments are classified as in default when they are in arrears greater than 90 days and their investment characteristics indicate default is more probable than not.

Under individual mortgage agreements, CHL can dispose of the collateral held if required to recover the value of the loan. This real property is disposed of on the open market, typically within 6 months of possession. Although LVRs are constantly monitored, the value of the collateral for an individual mortgage investment may be less than the relevant investment balance, which would result in the recognition of a specific provision in the loan held by CHL. This would therefore reduce the fair value of the loan receivable owing from CHL to CIF as the estimated cashflows would reduce.

The investment manager also considers forward looking assessments when assessing the recoverability of mortgages, such as future expectations around interest rates, unemployment, inflation and other economic factors that may impact the ability of a borrower to service their loan.

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NOTES TO THE FINANCIAL STATEMENTS
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12. FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity risk is to ensure, where possible, that it will always have sufficient liquidity to meet its liabilities when due.

Ultimate responsibility for liquidity management rests with the Directors of the Responsible Entity. The Responsible Entity ensures that, where possible, it has sufficient cash on demand to meet expected net cash outflows, including reasonably foreseeable withdrawal request patterns. Although the Responsible Entity will strive to ensure investors receive any withdrawal requests within the timeframe stipulated per unit class, where liquidity levels dictate, the Responsible Entity may delay redemptions for up to 12 months and/or will progressively pay out partial amounts of the requested redemption request over the 12 month period.

To preserve liquidity, the Fund holds dedicated investor cash reserves. These cash reserves may be used to cover withdrawal requests, reduce volatility of investment returns or cover expenses that could otherwise be charged to investors under the Fund's Constitution.

As explained in note 3(c), investor funds are classified as a liability and may be withdrawn in accordance with the notice period required per unit class as follows:

Unit type	Notice period
	\$
Cash Unit reserve	None
7-Day Unit reserve	7 days
90-Day Unit reserve	90 days
12-Month Unit reserve	30 days before end of term
Subordinated Unit reserve	n/a

To mitigate the liquidity risk in response to investor withdrawals the Fund held the following cash reserves at 30 June 2024:

30 June 2024	Cash held in reserve
	\$
Cash Unit reserve	n/a
7-Day Unit reserve	5,250
90-Day Unit reserve	21,500
12-Month Unit reserve	314,284
Subordinated Unit reserve	-
Total	341,034

Cash reserves are set aside to support any redemption requests, based on a percentage of the total units issued per unit type. In the event requested redemptions are greater than the cash reserve the Fund may also honour redemption requests out of its main working capital account. Furthermore, in the event the Fund has insufficient liquidity to satisfy withdrawal requests within the unit class time frame, the Fund's Constitution allows the Responsible Entity up to 12 months to satisfy a withdrawal request. There was one withdrawal request during the period and this request was satisfied within the unit class timeframe.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 7 JULY 2023 TO 30 JUNE 2024

12. FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The maturity of 12 month units as at 30 June 2024 is:

	Carrying amount \$	3 months or less	4 – 6 months	7 – 12 months
30 June 2024				
12-month units	6,254,450	-	1,181,201	5,073,249

Although the right to redeem units occurs in the above timeframes the Fund is only required to redeem the units if the investor elects to withdraw from the Fund.

The following are the contractual maturities of the Fund's other financial liabilities:

	Carrying amount \$	Contractual cash flow \$	6 months or less \$	6 months or more \$
30 June 2024				
Fees & other expenses payable	83,109	83,109	83,109	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the fair value of future cash flows. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Fund manages this risk via outsourcing its investment management. The Investment Manager manages the financial risks relating to the operations of the Fund in accordance with an investment mandate set out in accordance with the Fund's constitution and Product Disclosure Statement.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund has an insignificant exposure to currency risk as all transactions are denominated in the same currency as the functional currency of the Fund, which is Australian dollars.

CERTAINTY INCOME FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 7 JULY 2023 TO 30 JUNE 2024

12. FINANCIAL INSTRUMENTS (continued)

(d) Market risk (continued)

(ii) Interest rate risk

This risk refers to the risk that the future cash flow of a financial instrument may fluctuate because of changes in market interest rates. The Fund's loan to CHL is exposed to interest rate risk as mortgage secured loans issued by CHL are variable rate loans and an increase in the interest rate could impact the ability of borrowers to meet their loan commitments and ultimately the ability of the Fund to meet its target distribution returns. There are no fixed rate mortgages.

The following table summarises the sensitivity of the Fund's financial assets and financial liabilities that are exposed to interest rate risk. The general interval used by both the Reserve Bank of Australia and the Responsible Entity in adjusting interest rates is 25 basis points. Sensitivity has therefore been based on a change in 25 basis points, noting that the official cash rate set by the Reserve Bank of Australia at balance date is 4.35%.

	Carrying amount	+25 bps		-25 bps	
		Profit	Equity	Profit	Equity
30 June 2024	\$	\$			
Cash*	1,298,144	3,549	-	(3,549)	-
CHL Loan**	6,384,742	4,476	-	(4,476)	-

*The interest rate for the period was 4.15%

**Assumes all interest payments payable by CHL mortgage loans are recovered despite a 25 bps increase in interest rates. The interest rate for the period and at 30 June 2024 was 7.29%.

(iii) Price risk

The Fund is not exposed to price risk.

13. CONTINGENT LIABILITIES

There are no contingent liabilities at the end of the period.

14. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial period which have 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 future financial years.

15. RESPONSIBLE ENTITY DETAILS

The registered office and the principal place of business of the current Responsible Entity is:

CW RM Limited
Suite 103
2 Miami Key
Broadbeach Waters
QLD 4218

CERTAINTY INCOME FUND
ARSN 669 751 204
DIRECTORS' OF THE RESPONSIBLE ENTITY DECLARATION
FOR THE PERIOD 7 JULY 2023 TO 30 JUNE 2024

In the opinion of the Directors of the Responsible Entity, CW RM Ltd:

- (a) the financial statements and notes of the Certainty Income Fund (the "Fund"), set out on pages 8 to 25, are 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 financial period 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 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.



Damien Gwynne

Director

18 September 2024

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Independent Auditor's Report

To the Members of Certain Income Fund

Report on the audit of the financial report

Opinion

We have audited the financial report of Certain Income 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, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, and the Directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

- a 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
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Fund's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the financial report

The Directors of the 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*. The Directors' responsibility also includes 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 the 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 18 September 2024