



Firstmac *highlivez*

Financial Report for the Year Ended

30 June 2021

ARSN 147 322 923



The financial statements cover Firstmac High Livez as an individual entity. The Responsible Entity of Firstmac High Livez is Perpetual Trust Services Limited (ABN 48 000 142 049). The Responsible Entity's registered office is Level 12, 123 Pitt Street NSW 2000.

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Perpetual Trust Services Limited [PTSL] (ABN 48 000 142 049) is the responsible entity (the "Responsible Entity") of Firstmac High Livez (ARSN 147 322 923) (the "Fund"). The directors of the Responsible Entity (the "Directors") present their report together with the financial statements of the Fund for the year ended 30 June 2021.

Principal Activities

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

The Fund seeks to achieve its investment objective by investing in fixed income securities. These fixed income securities are predominantly comprised of investment grade medium term asset-backed securities supplemented by highly rated short term money market securities.

The Fund was constituted on 10 November 2010 and commenced operations on 29 March 2011.

The Fund did not have any employees during the year.

There have been no significant changes in the Fund's activities during the year.

Directors

The Directors of the Responsible Entity during the year and up to the date of this report are shown below. The Directors were in office for the entire year except where stated otherwise:

Vicki Riggio	
Richard McCarthy	
Simone Mosse	
Glenn Foster	Resigned as Director on 23 October 2020. Appointed as a Non-executive Director on 1 February 2021
Phillip Blackmore	Alternate Director for Vicki Riggio

Review and results of operations

The Fund continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Product Disclosure Statement ("PDS") and the Fund Constitution.

Redemptions totalling \$13.7m and comprising 22% of the beginning net asset value of the Fund were made during the year. The Fund continues to operate as a going concern after these redemptions. The performance of the Fund, as represented by the results of its operations, was as follows:

	Year Ended 30 June 2021	Year Ended 30 June 2020
	\$	\$
Operating profit attributable to unitholders	3,459,008	1,622,456
Distribution paid and payable	1,929,372	2,497,232
Distribution (cents per unit)	0.0321	0.0362

The distribution (cents per unit) has been presented as actual distribution for the years 2021 and 2020.

Significant changes in state of affairs

The Directors continue to assess the potential financial and other impacts of the coronavirus (COVID-19) outbreak to the Fund. The current high-level of uncertainty regarding the severity and length of COVID-19 on investment markets has impacted investment outcomes and increased volatility in investment performance during the year.

At the date of signing, the future impacts of COVID-19 on global and domestic economies and investment market indices, and their resulting impact on the Fund are uncertain. The Directors and management will continue to monitor this situation.

On 01 February 2021, Glenn Foster was appointed as a Non-executive Director.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Fund that occurred during the year.

Matters subsequent to the end of the financial year

No matters or circumstances have arisen since 30 June 2021 that have significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Fund in future financial years.

Likely developments and expected results of operations

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

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnity and insurance of officers

No insurance premiums are paid for out of the assets of the Fund in regards to the insurance cover provided to the officers of the Responsible Entity. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

Indemnity of the auditors

The auditor of the Fund are not indemnified out of the assets of the Fund.

Fees paid to and interests held in the Fund by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in the Statement of Profit or Loss and Other Comprehensive Income and are detailed in Note 13 to the Financial Statements.

The Responsible Entity and its associates held no interests in the Fund at the end of, or during, the financial year.

No fees were paid out of Fund property to the Directors of the Responsible Entity during the year.

Interests in the Fund

The movements in units on issue in the Fund during the year and number of interests in the Fund at the end of the year are disclosed in Note 10 to the financial statements.

The value of the Fund's assets and liabilities is disclosed in the Statement of Financial Position and derived using the basis set out in Note 2 to the financial statements.

Environmental regulation

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

Rounding of amounts

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of the Directors of Perpetual Trust Services Limited.

A handwritten signature in black ink, appearing to be "V. [unclear]".

Director
Perpetual Trust Services Limited
Sydney

Dated 24 September 2021

The Directors
Perpetual Trust Services Limited
As Responsible Entity of Firstmac High Livez
Level 12, Angel Place
123 Pitt Street
SYDNEY NSW 2000

Auditor's Independence Declaration

In relation to the independent audit for the year ended 30 June 2021, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Pitcher Partners
PITCHER PARTNERS



ANDREW ROBIN
Partner

24 September 2021
Brisbane, Queensland

	Note	Year Ended 30 June 2021	Year Ended 30 June 2020
		\$	\$
Investment Income			
Interest income		38,255	132,073
Interest income from financial instruments at fair value through profit or loss		2,229,681	2,609,553
Net gain / (loss) on financial instruments at fair value through profit or loss	4	1,517,934	(789,793)
Total investment income		3,785,870	1,951,833
Expenses			
Other operating expenses	5	95,749	99,013
Management Fees	13	231,113	230,364
Total operating expenses		326,862	329,377
Profit for the year		3,459,008	1,622,456
Other comprehensive income		-	-
Total comprehensive income		3,459,008	1,622,456

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 10 to 21.

	Note	As at 30 June 2021	As at 30 June 2020
		\$	\$
Assets			
Cash and cash equivalents	6	8,602,875	12,324,343
Receivables	7	85,821	90,389
Financial assets at fair value through profit or loss	8	65,562,758	49,499,619
Total assets		74,251,454	61,914,351
Liabilities			
Distribution payable	12	161,579	176,285
Management fees payable	13	22,746	19,485
Other payables	9	9,826	8,233
Total liabilities		194,151	204,003
Net assets attributable to unitholders - equity	10	74,057,303	61,710,348

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 10 to 21.

	Note	Year ended 30 June 2021 \$	Year ended 30 June 2020 \$
Total equity at the beginning of the financial year		61,710,348	64,720,766
Comprehensive Income:			
Profit for the year		3,459,008	1,622,456
Other comprehensive income		-	-
Total comprehensive income		<u>3,459,008</u>	<u>1,622,456</u>
Transactions with unitholders			
Applications during the year	10	23,328,252	30,450,398
Redemptions during the year	10	(13,724,755)	(34,234,736)
Distribution reinvestment during the year	10	1,213,822	1,648,696
Distributions paid and payable	10	(1,929,372)	(2,497,232)
Total transactions with unitholders		<u>8,887,947</u>	<u>(4,632,874)</u>
Total equity at the end of the financial year		<u>74,057,303</u>	<u>61,710,348</u>

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 10 to 21.

	Note	Year ended 30 June 2021 \$	Year ended 30 June 2020 \$
Cash flows from operating activities			
Interest received		2,272,631	2,772,255
Operating expenses paid		(94,283)	(99,802)
Management fees paid		(227,853)	(230,555)
Purchase of financial assets at fair value through profit or loss		(31,015,042)	(22,079,853)
Proceeds from passback of financial assets at fair value through profit or loss		5,282,749	3,889,886
Proceeds from sale of financial assets at fair value through profit or loss		11,187,089	23,770,362
Net cash inflow/(outflow) from operating activities	11(a)	(12,594,709)	8,022,293
Cash flows from financing activities			
Proceeds from the issue of redeemable units	10	24,542,074	32,099,094
Payment on redemption of redeemable units	10	(13,724,755)	(34,234,736)
Distributions paid to unitholders	10	(1,944,077)	(2,549,725)
Net cash inflow/(outflow) from financing activities		8,873,242	(4,685,367)
Net increase/(decrease) in cash and cash equivalents		(3,721,468)	3,336,926
Cash and cash equivalents at the beginning of the financial year		12,324,343	8,987,417
Cash and cash equivalents at the end of the financial year	6	8,602,875	12,324,343

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 10 to 21.

1. General Information

These financial statements cover Firstmac High Livez (the "Fund") as an individual entity. The Fund is a for-profit entity.

The Responsible Entity of the Fund is Perpetual Trust Services Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 18, 123 Pitt Street, Sydney NSW 2000. The Responsible Entity is incorporated and domiciled in Australia.

The Investment Manager and accountant of the Fund is Firstmac Limited.

The Custodian of the Fund is Perpetual Corporate Trust Limited.

The Fund seeks to achieve its investment objective by investing in fixed income securities. These fixed income securities are predominantly comprised of investment grade medium term asset-backed securities supplemented by highly rated short term money market securities.

The financial statements were authorised for issue by the directors on 24 September 2021. The directors of the Responsible Entity have the power to amend the financial statements after they have been issued.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of each year cannot be reliably determined.

The financial statements are presented in Australian dollars.

(i) New and amended standards adopted by the Fund

The fund has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. All adoptions did not have a material impact on the financial statements.

(b) Financial instruments

(i) Classification

The Fund's investments are classified as at fair value through profit or loss.

These include financial assets that are not held for trading purposes and which may be sold such as commercial paper.

Financial assets at fair value through profit or losses at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented strategy.

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

2. Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

Financial assets and liabilities are measured at fair value through profit or loss.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the year without any deduction for estimated future selling costs. The quoted market price used for financial assets is the current bid price and the quoted market price for financial liabilities is the current asking price.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as equity. The units can be put back to the Fund at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of year if unitholders exercised their right to redeem units in the Fund.

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Payments and receipts relating to the purchase and the sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

(e) Receivables

Receivables are measured at amortised cost and include amounts for interest and GST refund. These are accrued when the right to receive payments is established. Interest is accrued at the end of each year from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables.

(f) Payables

These amounts are measured at amortised cost and represent liabilities for amounts owed by the Fund at balance date which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. The distribution amount payable to unitholders as at the end of each year is recognised separately in the Statement of Financial Position when unitholders are presently entitled to distributable income as at period end under the Constitution.

(g) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

2. Summary of significant accounting policies (continued)

(h) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as investment management fees have been passed onto the Fund. There were some changes in GST legislation since 01 July 2012. According to these changes, The Fund qualifies for Reduced Input Tax Credits (RITC) at the rate of 55% for managers fees and 75% for rest of all fees; hence investment management fees, and other expenses have been recognised in the statement of profit or loss and other comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(i) Investment income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Fund and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(j) Expenses

All expenses, including management fees and operating expenses, are recognised in the statement of profit or loss and other comprehensive income on an accrual basis.

(k) Income tax

The Fund was a "flow-through" entity for Australian income tax purposes and elected into the Attribution Managed Investment Trusts rules from the 2018 income year, such that the determined trust components of the Fund will be taxable in the hands of the beneficiaries (the unitholders) on an attribution basis.

Accordingly, deferred taxes have not been recognised in the financial statements in relation to differences between the carrying amounts of assets and liabilities and their respective tax bases, including taxes on capital gains/losses which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements.

(l) Distributions

In accordance with the Fund Constitution, the Fund distributes income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment.

(m) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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 estimates are revised and in any future periods affected.

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques such as the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions in relation to these factors could affect the reported fair value of financial instruments.

2. Summary of significant accounting policies (continued)

(n) Rounding of amounts

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest dollar in accordance with the ASIC Corporations Instrument, unless otherwise indicated.

3. Financial Risk Management

(a) Overview

The Fund's activities expose it to a variety of financial risks. The management of these risks is undertaken by the Fund's Investment Manager who has been appointed by the Responsible Entity under an Investment Management Agreement to manage the Fund's assets in accordance with the Investment Objective and Strategy.

The Responsible Entity has in place a framework which includes:

- The Investment Manager providing the Responsible Entity with regular reports on their compliance with the Investment Management Agreement;
- Completion of regular reviews on the Service Provider which may include a review of the investment managers risk management framework to manage the financial risks of the Fund;
- Regular reporting on the liquidity of the Fund in accordance with the Fund's Liquidity Risk Management Statement.

The Fund's Investment Manager has in place a framework to identify and manage the financial risks in accordance with the investment objective and strategy. This includes an investment due diligence process and on-going monitoring of the investments in the Fund. Specific controls the Investment Manager applies to manage the financial risks are detailed under each risk specified below.

(b) Market Risk

(i) Price risk

The Fund is exposed to fixed income securities. Bond price fluctuations are associated with interest rate risks and default risks for credit securities. Higher interest rates cause bond prices to fall.

(ii) Cash flow and fair value interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk.

The Fund has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact on the valuation of certain assets that use interest rate as an input in their valuation model. Therefore, the sensitivity analysis may not fully indicate the total effect on the Fund's net assets attributable to unitholders of future movements in interest rates.

3. Financial Risk Management (continued)

(b) Market Risk (continued)

The Table below summaries the Fund's exposure to interest rate risk.

30 June 2021

	Weighted interest rate	Floating interest rate	Weighted interest rate	Fixed interest rate	Non-interest Bearing	Total
Asset						
Cash and cash equivalents	0%	902,875	0.25%	7,700,000	-	8,602,875
Receivables		-		-	85,821	85,821
Financial assets at fair value through profit or loss	3.71%	65,562,758		-	-	65,562,758
Liabilities						
Distribution payable		-		-	(161,579)	(161,579)
Management fees payable		-		-	(22,746)	(22,746)
Other payables		-		-	(9,826)	(9,826)
Net exposure		<u>66,465,633</u>		<u>7,700,000</u>	<u>(108,330)</u>	<u>74,057,303</u>

30 June 2020

	Weighted interest rate	Floating interest rate	Weighted interest rate	Fixed interest rate	Non-interest Bearing	Total
Asset						
Cash and cash equivalents	0.78%	624,343	0.66%	11,700,000	-	12,324,343
Receivables		-		-	90,389	90,389
Financial assets at fair value through profit or loss	4.37%	49,499,619		-	-	49,499,619
Liabilities						
Distribution payable		-		-	(176,285)	(176,285)
Management fees payable		-		-	(19,485)	(19,485)
Other payables		-		-	(8,233)	(8,233)
Net exposure		<u>50,123,962</u>		<u>11,700,000</u>	<u>(113,614)</u>	<u>61,710,348</u>

(c) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to interest rate risk and other price risk. The reasonably possible movements in the risk variable have been determined based on the Investment Manager's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, historical correlation of the Fund's investments with the relevant benchmark and market volatility.

However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of and/or correlation between the performance of the economics, markets and securities in which the Fund invests. As a result, historic variation in risk variables should not be used to predict future variation in the risk variables.

		30 June 2021 \$	30 June 2020 \$
Price Risk			
Net assets attributable to unitholders	+1%	(740,573)	(617,103)
Net assets attributable to unitholders	-1%	740,573	617,103
Interest rate risk			
Cash equivalents	+25bps	21,507	30,811
Cash equivalents	-25bps	(21,507)	(30,811)

3. Financial Risk Management (continued)

(d) Credit Risk

The Fund is exposed to credit risk should the counterparty be unable to pay amounts in full when they fall due.

(i) Debt securities

The Fund invests in fixed investment securities which have various Category allocations as disclosed in the PDS. The Category allocations are assigned by the Investment Manager using an approach that is consistent with the approach used by rating agencies. An analysis of debt by rating is set out in the table below.

	30 June 2021	30 June 2020
	\$	\$
Category 1	1,552,102	3,257,218
Category 2	24,004,532	7,204,024
Category 3	38,365,766	39,170,782
	<u>63,922,400</u>	<u>49,632,024</u>

The rating analysis above reconciles to and represents the face value of the financial assets at fair value through profit or loss.

(ii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a minimum rating of Category 1.

(iii) Other

The Fund is not materially exposed to credit risk on other financial assets.

The maximum exposure to credit risk at the end of each year is the carrying amount of the financial assets. None of these are impaired nor past due but not impaired.

(e) Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Financial liabilities of the Fund comprise of sundry creditors and accrued expenses which have no contractual maturities but are normally settled within 30 days.

The Fund's PDS provides for monthly redemption of units and it is therefore exposed to liquidity risk of meeting unitholders' redemptions at those times. The Fund maintains a minimum liquidity equal to 10% of total assets of the Fund. Compliance with this is reported to the Responsible Entity on a quarterly basis.

In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interest of unitholders. As at 30 June 2021 the fund held 17 different RMBS investments managed and serviced by Firstmac Limited. This represents the largest concentration by issuer at 33.7% (30 June 2020: 38.3%) of total fund assets. Each of the individual holdings are bankruptcy remote with stand-alone closed pool of residential mortgage assets.

3. Financial Risk Management (continued)

(e) Liquidity Risk (continued)

To assess the impact of COVID-19 on the liquidity of the Fund, the Responsible Entity conducted frequent and enhanced monitoring of the liquidity of the Fund during the year.

(f) Fair value estimation

The carrying amounts of the Fund's assets and liabilities at the end of each year approximate their fair values.

Financial assets and liabilities at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments at fair value through profit or loss are measured at fair value with changes in their value recognised in the statement of profit or loss and other comprehensive income.

(g) Fair value hierarchy

Classification of financial assets and financial liabilities

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the assets or liabilities that are not based on observable market data (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

The Fund's financial assets at fair value through profit or loss consist of residential mortgage backed debt securities. Each month, independently sourced pricing data is obtained from the market and market valuations are calculated resulting in the value of the debt securities being updated.

The Fund's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between the fair value hierarchy levels during, or at the end of, the reporting period.

	Level	30 June 2021 \$	30 June 2020 \$
Fair value measurement hierarchy for assets:			
Financial Assets at fair value through profit or loss	2	65,562,758	49,499,619
4. Net gain/(loss) on financial instruments at fair value through profit or loss			
Net unrealised gain/(loss) on financial assets at fair value through profit or loss		1,772,758	(953,769)
Net realised gain/(loss) on financial assets at fair value through profit or loss		(15,194)	33,916
Amortised bond premium/(discount)		(239,630)	130,060
		1,517,934	(789,794)

	30 June 2021 \$	30 June 2020 \$
5. Other operating expenses		
Operating expenses	95,328	98,541
Bank fees	421	472
	95,749	99,013
6. Cash and cash equivalents		
Operating bank account	756,891	624,320
Distribution bank account	1,233	23
Redemption bank account	144,751	-
Term deposit	7,700,000	11,700,000
	8,602,875	12,324,343
7. Receivables		
Interest receivable	80,634	85,330
GST receivable	5,187	5,059
	85,821	90,389
8. Financial assets at fair value through profit or loss		
Floating rate notes	65,562,758	49,499,619
	65,562,758	49,499,619
<i>Comprising:</i>		
Face Value	63,922,399	49,632,024
Fair Value Adjustment	1,640,359	(132,405)
	65,562,758	49,499,619
Maturity Analysis - Floating rate notes		
More than 5 Years	65,562,758	49,499,619
	65,562,758	49,499,619
9. Other payables		
Operating fee payable	9,805	8,191
Other payable	21	42
	9,826	8,233

10. Net assets attributable to the Unitholders

Movement in the number of units and net assets attributable to unitholders during the year were as follows:

	Retail \$	Wholesale \$	Total \$
30 June 2021			
Opening Balance	40,420,568	21,289,781	61,710,348
Applications	14,621,683	8,706,569	23,328,252
Redemptions	(8,729,665)	(4,995,090)	(13,724,755)
Distribution Reinvestment	824,211	389,611	1,213,822
Distribution paid and payable	(1,229,753)	(699,619)	(1,929,372)
Reclassification	(2,334,103)	2,334,103	-
Profit for the year	2,275,964	1,183,044	3,459,008
Closing Balance	45,848,905	28,208,399	74,057,303
	Units	Units	Units
Opening Balance	38,929,999	20,504,687	59,434,686
Applications	13,839,793	8,298,540	22,138,333
Redemptions	(8,322,956)	(4,921,961)	(13,244,917)
Distribution Reinvestment	786,124	371,428	1,157,552
Reclassification	(2,214,365)	2,214,365	-
Closing Balance	43,018,595	26,467,059	69,485,654
30 June 2020	\$	\$	\$
Opening Balance	38,832,032	25,888,734	64,720,766
Applications	21,797,466	8,652,932	30,450,398
Redemptions	(17,751,506)	(16,483,230)	(34,234,736)
Distribution Reinvestment	987,012	661,684	1,648,696
Distribution paid and payable	(1,451,190)	(1,046,042)	(2,497,232)
Reclassification	(3,030,402)	3,030,403	-
Profit for the year	1,037,156	585,300	1,622,456
Closing Balance	40,420,568	21,289,781	61,710,348
	Units	Units	Units
Opening Balance	37,075,530	24,717,700	61,793,230
Applications	20,620,378	8,312,240	28,932,618
Redemptions	(17,005,307)	(15,856,880)	(32,862,187)
Distribution Reinvestment	940,598	630,427	1,571,025
Reclassification	(2,701,200)	2,701,200	-
Closing Balance	38,929,999	20,504,687	59,434,686

Under AASB 132 Financial instruments: Presentation, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Scheme classifies a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

10. Net assets attributable to the Unitholders (continued)

Capital risk management

The Fund considers its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a monthly basis as the Fund is subject to monthly applications and redemptions at the discretion of unitholders.

Monthly applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a monthly basis by the Responsible Entity. Under the terms of the Fund Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interest of unitholders.

11. Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	30 June 2021	30 June 2020
	\$	\$
Profit/(loss) for the year	3,459,008	1,622,456
Unrealised (gain)/loss on financial instruments at fair value through profit or loss	(1,772,758)	953,769
Realised (gain)/loss on financial instruments at fair value through profit or loss	15,194	(33,916)
Amortisation of bond (premium)/discount	239,630	(130,061)
Net change in receivables and other assets	4,568	30,212
Net change in payables and other liabilities	4,853	(562)
Net change in financial assets at fair value through profit or loss	(14,545,204)	5,580,395
Net cash inflow from operating activities	(12,594,709)	8,022,293

(b) Non-cash financing activities

During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan

1,213,822	1,648,696
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12. Distributions to unitholders

The distributions for the year were as follows:

		30 June 2021	30 June 2020
		\$	\$
Distributions paid	Value	1,767,793	2,320,947
Distributions payable	Value	161,579	176,285
		1,929,372	2,497,232
Distributions paid	CPU	0.0298	0.0332
Distributions payable	CPU	0.0023	0.0030

13. Related party transactions

The Responsible Entity of the Fund is Perpetual Trust Services Limited (ABN 48 000 142 049). The Custodian of the Fund is Perpetual Corporate Trust Limited which is a related entity of the Responsible Entity.

Firstmac Limited is the Investment Manager and the accountant of the Fund. Firstmac Limited is also the manager of the Firstmac Securitisation trusts which facilitates and manages the wholesale funding of Australian residential mortgages through the trustee of these trusts, Firstmac Fiduciary Services Pty Ltd.

Key management personnel

(a) Directors:

Key management personnel include persons who were directors of Perpetual Trust Services Limited at any time during the financial year as follows:

Vicki Riggio

Richard McCarthy

Simone Mosse

Glenn Foster

Resigned as Director on 23 October 2020. Appointed as a Non-executive Director on 1 February 2021

Phillip Blackmore

Alternate Director for Vicki Riggio

(b) Other key management personnel:

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

As at 30 June 2021 no key management personnel held units in the Fund (30 June 2020: nil).

Key management personnel compensation

Key management personnel do not receive any remuneration directly from the Fund. They receive remuneration from a related party of the Responsible Entity in their capacity as Directors or employees of the Responsible Entity or its related parties. Consequently, the Fund does not pay any compensation to its key management personnel. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the year.

13. Related party transactions (continued)

Investment Manager's Fees and other transactions

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Fund and the Investment Manager were as follows:

	30 June 2021	30 June 2020
	\$	\$
Management fees for the year paid by the Fund to the Investment Manager	231,113	230,364
Aggregate amount payable to Investment Manager	22,746	19,485
Operating fees for the year paid by the Fund to the Investment Manager	95,328	98,541
Aggregate amount payable to Investment Manager	9,805	8,191

All other expenses of the Fund are paid by the Investment Manager.

Related party unitholdings

Parties related to the Fund (including Firstmac Limited and its related parties) held 468,629 units (2020:454,925 units) in the Fund, which were worth \$498,480 (2020:\$472,349).

Firstmac High Livez owns \$65,562,758 (2020: \$49,499,619) of fixed asset securities. Of this, \$24,716,187 (2020: \$23,474,423) represents underlying securities issued by Firstmac Limited.

14. Remuneration of auditors

	30 June 2021	30 June 2020
	\$	\$
During the year the following fees were paid or payable for services provided by the auditors of the Fund		
Audit and review of financial statements (Pitcher Partners)	23,500	22,000
Audit of compliance plan (PricewaterhouseCoopers)	2,475	2,475
Taxation services (Pitcher Partners)	6,000	6,000
Audit of Monthly Statements (Pitcher Partners)	9,000	9,000
	40,975	39,475

Audit fees are currently paid or payable by the Investment Manager, Firstmac Limited.

15. Contingent liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2021 (30 June 2020: nil).

16. Events occurring after the year end

No significant events have occurred since the end of the year which would impact the financial position of the Fund disclosed in the statement of financial position as at 30 June 2021 or on the results and cash flows of the Fund for the year ended on that date.

Directors Declaration

In the opinion of the Directors of Perpetual Trust Services Limited, the Responsible Entity of Firstmac High Livez:

- (a) The financial statements and notes that are set out on pages 10 to 21 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 2021 and its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements.
- (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.
- (c) Note 2 confirms that the financial statements also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to be "Hughes", written over a horizontal line.

Perpetual Trust Services Limited
Director
24 September 2021

Independent Auditor's Report to the Members of Firstmac High Livez

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Firstmac High Livez ("the Fund"), which comprises the statement of financial position as at 30 June 2021, 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, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Firstmac High Livez, 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 2021 and of its financial performance for the year then ended; 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 Company 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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Directors' report for the year ended 30 June 2021 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 Responsible Entity 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 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.

As part of an audit in accordance with the 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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.

Pitcher Partners
PITCHER PARTNERS


ANDREW ROBIN
Partner

27 September 2021
Brisbane, Queensland