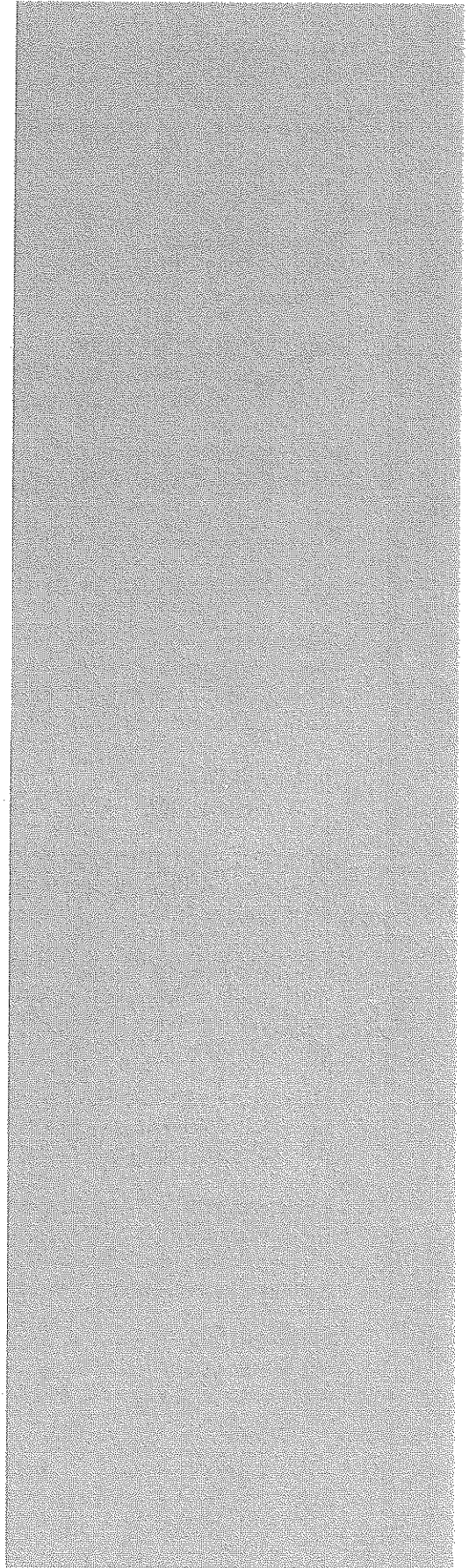


**MIF**  
**ARSN 162 978 181**  
**Condensed Interim Report**  
**For the half-year ended 31 December 2019**



# **MIF**

## **DIRECTOR'S REPORT**

The directors of Mutual Limited (ACN 010 338 324), the Responsible Entity of MIF ("the Fund") submit their report for the Fund for the half-year ended 31 December 2019 and the auditor's review report thereon.

### **DIRECTORS OF THE RESPONSIBLE ENTITY**

The names and particulars of the directors of the Responsible Entity in office during the financial year and until the date of this report are:

Wayne Buckingham  
Brian Buckley  
Tyson Rattle

### **PRINCIPAL ACTIVITIES**

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 and in accordance with the provisions of the Constitution.

### **FUND INFORMATION**

The Responsible Entity is incorporated and domiciled in Australia.

The registered office of the Responsible Entity is located at Level 12, 15 William Street, Melbourne, Victoria, 3000.

### **REVIEW AND RESULTS OF OPERATIONS**

#### **Results**

The net profit attributable to unitholders (before finance costs) for the half-year ended 31 December 2019 was \$12,808,149 (31 December 2018: \$11,552,744). Distributions to unitholders during the half-year totalled \$11,317,687 (31 December 2018: \$17,721,332).

#### **FUND ASSETS**

At 31 December 2019 the Fund held gross assets of \$1,098,517,290 (30 June 2019: \$1,060,555,366).

#### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There were no other significant changes in the state of affairs of the Fund during the year, other than those changes identified in the financial statements for the half-year ended 31 December 2019.

#### **SIGNIFICANT EVENTS AFTER BALANCE DATE**

There has been no matter or circumstance that has arisen since the half-year ended 31 December 2019 that has significantly affected, or may significantly affect, the Fund's operations during the half-year, the results of those operations or the Fund's status of affairs during the half-year.

#### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The investment strategy of the Fund will be maintained in accordance with Fund's investment objectives as outlined in the PDS and Trust Deed.

#### **ENVIRONMENTAL REGULATION AND PERFORMANCE**

The operations of the Fund are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Fund.

#### **INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

Neither the Fund nor the Responsible Entity has given or agreed to give any indemnity to an officer or auditor of the Responsible Entity or Fund and have not paid any premium for insurance against those officers' or auditors' liability for legal costs.

**MIF**

## **DIRECTOR'S REPORT**

### **AUDITOR INDEPENDENCE**

The Directors received the following declaration from the auditor of the Fund as attached on page 4.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Wayne Buckingham', followed by a large, stylized flourish or underline.

Wayne Buckingham  
Managing Director

Melbourne, 21 February 2020



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

To the Directors of Mutual Limited

I declare that, to the best of my knowledge and belief, in relation to the review of MIF for the half-year ended 31 December 2019 there have been:

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

KPMG

KPMG

Dean Waters

Partner

Melbourne

21 February 2020

# MIF

## Statement of Condensed Interim Financial Position

As at 31 December 2019

	Notes	As at 31 December 2019	As at 30 June 2019
		\$	\$
<b>Assets</b>			
Cash and cash equivalents		43,536,363	34,310,501
Other receivables		2,675,289	3,315,534
Investments measured at amortised cost	3	5,000,000	5,000,000
Financial assets at fair value through profit or loss	4	1,047,305,638	1,017,929,331
<b>Total assets</b>		<b>1,098,517,290</b>	<b>1,060,555,366</b>
<b>Liabilities</b>			
Payables		1,221,111	2,584,334
Distribution payable		4,614,538	8,167,417
<b>Total Liabilities</b>		<b>5,835,649</b>	<b>10,751,751</b>
<b>Net Assets attributable to unitholders less unitholders less liabilities</b>		<b>1,092,681,641</b>	<b>1,049,803,615</b>
<b>Represented by:</b>			
Net assets attributable to unitholders (calculated in accordance with redemption requirements)		1,092,681,641	1,049,803,615
Adjustment from last sale-market prices to bid/offer-market prices		-	-
<b>Net assets attributable to unitholders less liabilities (calculated in accordance with AASB)</b>		<b>1,092,681,641</b>	<b>1,049,803,615</b>

*The above statement of condensed interim financial position should be read in conjunction with accompanying notes.*

## Statement of Condensed Interim Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2019

	Notes	Half-Year Ended 31 December 2019 \$	Half-Year Ended 31 December 2018 \$
<b>Income</b>			
Interest revenue		14,333,770	18,861,314
Dividend revenue		87,568	338,560
Changes in fair value of financial assets at fair value through profit and loss		668,447	(5,321,141)
<b>Total income</b>		<b>15,089,785</b>	<b>13,878,733</b>
<b>Expense</b>			
Management fee		(2,208,199)	(2,254,000)
Other expenses		(73,437)	(71,989)
<b>Total expenses</b>		<b>(2,281,636)</b>	<b>(2,325,989)</b>
<b>Net profit before finance costs</b>		<b>12,808,149</b>	<b>11,552,744</b>
<b>Finance Costs Attributable to Unitholders</b>			
Distributions to unitholders	7	(11,317,687)	(17,721,332)
<b>Net profit/(loss) for the year</b>		<b>1,490,462</b>	<b>(6,168,588)</b>
Other comprehensive income		-	-
<b>Change in net assets attributable to unitholders for the half-year</b>		<b>1,490,462</b>	<b>(6,168,588)</b>

*The above statement of condensed interim profit or loss and other comprehensive income should be read in conjunction with accompanying notes.*

**MIF**

## **Statement of Condensed Interim Changes in Equity**

**For the Half-Year Ended 31 December 2019**

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

*The above statement of condensed interim changes in equity should be read in conjunction with accompanying notes.*

## Statement of Condensed Interim Cash Flows

For the Half-Year Ended 31 December 2019

Notes	Half-Year Ended 31 December 2019	Half-Year Ended 31 December 2018
	\$	\$
<b>Cash flows from operating activities</b>		
Interest received	14,973,275	19,284,207
Dividend received	87,568	338,560
Investment expenses paid	(2,442,974)	(2,367,943)
GST refund received	160,961	156,827
Other expenses paid	(12,838)	(10,211)
<b>Net cash inflow from operating activities</b>	<b>12,765,992</b>	<b>17,401,440</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(472,370,502)	(344,620,388)
Proceeds from sale of investments	443,662,643	282,091,076
<b>Net cash outflow from investing activities</b>	<b>(28,707,859)</b>	<b>(62,529,312)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of redeemable units	421,430,979	375,236,491
Payment for redemption of units	(382,304,166)	(257,810,773)
Distributions paid to unitholders	(13,959,084)	(14,478,166)
<b>Net cash inflow from financing activities</b>	<b>25,167,729</b>	<b>102,947,552</b>
Net increase / (decrease) in cash and cash equivalents	9,225,862	57,819,680
Cash and cash equivalents at the beginning of the half-year	34,310,501	16,916,479
<b>Cash and cash equivalents at the end of the half-year</b>	<b>43,536,363</b>	<b>74,736,159</b>

*The above statement of condensed interim cash flows should be read in conjunction with the accompanying notes.*



# MIF

## Contents of Notes to the Condensed Interim Financial Statements

For the Half-Year Ended 31 December 2019

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## **Notes to the Condensed Interim Financial Statements**

**31 DECEMBER 2019**

### **1. Corporate Information**

This interim report of MIF (the “Fund”) for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors of Mutual Limited, the Responsible Entity, on 21 February 2020.

The Fund is an Australian Registered Managed Investment Scheme, constituted on 2 April 2013. The Responsible Entity is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Level 12, 15 William Street, Melbourne, Victoria, 3000.

The Fund is a for profit fund. 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 and in accordance with the provisions of the Constitution.

### **2. Accounting Policies**

#### **2.1 Basis of preparation**

The general purpose condensed interim financial report for the half-year ended 31 December 2019 has been prepared in accordance with *AASB 134: Interim Financial Reporting* and the *Corporations Act 2001*. The condensed interim financial report has also been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value.

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. The amount expected to be recovered or settled within twelve months in relation to these balances can be reliably determined.

The condensed interim financial report is presented in Australian Dollars.

#### **Statement of compliance**

The condensed interim financial report complies with Australian Accounting Standards applicable to interim reporting as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) applicable to interim reporting as issued by the International Accounting Standards Board.

The condensed interim financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the most recent annual financial report of the fund.

#### **Changes in accounting policies**

Except as disclosed in the financial report for the year ended 30 June 2019, there were no new accounting standards, amendments and interpretations that are expected to have a material impact on the financial statements. The significant accounting policies adopted in the preparation of these interim financial statements are consistent with those followed in the preparation of the Fund’s financial statements for the year ended 30 June 2019.

#### **Income tax**

Under current legislation, the Fund is not subject to income tax provided that the unitholders are presently entitled to the income of the Fund and the Fund fully distributes its taxable income.

#### **Distributions to unitholders**

In accordance with the Fund’s Constitution, the Fund fully distributes its distributable income to unitholders.

## Notes to the Condensed Interim Financial Statements

31 DECEMBER 2019

### 2. Accounting Policies

#### 2.1 Basis of preparation (continued)

Distributions are payable quarterly, at the end of each calendar quarter. Such distributions are determined by reference to the net taxable income of the Fund.

Distributable income includes capital gains arising from the disposal of investments. Unrealised gains and losses are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any future realised capital gains. Distributions to unitholders are recognised in the Statement of Profit or Loss and Other Comprehensive Income as finance costs.

#### 2.2 Significant accounting judgments and estimates

The preparation of the Fund's financial statements requires management to make judgments, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

#### Fair value of financial instruments

All investments are initially recognised at fair value, being the fair value of the consideration paid excluding transactions costs. After initial recognition, the financial assets designated as at fair value through profit or loss are revalued to fair value at each reporting date.

For investments that are actively traded in organised financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the balance sheet date.

For unlisted investments, fair value is calculated based on valuation techniques such as the expected cash flow analysis using available and supportable market rates and inputs, or the net asset value methodology. For unlisted debt instruments where observable market rates and inputs are unavailable, these are recorded at directors' valuation and are measured using valuation techniques such as discounted cash flows based on assumptions and judgments that are relevant and applicable to these debt instruments.

Investments of the Fund which are designated as fair value through profit and loss include equity securities, units in Managed Investment Schemes and interest bearing securities for which there is no positive intention to hold to maturity.

These investments have been designated as at fair value through profit or loss as doing so results in more relevant information. These investments are part of the full group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Fund.

#### *Significant accounting judgments*

In the process of applying the Fund's accounting policies, management has made judgments, apart from those involving estimations, which have an impact on the amounts recognised in the financial statements. No judgments have been determined to be individually significant.

#### *Significant accounting estimates and assumptions*

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities within the next annual reporting period are:

#### *Impairment of assets*

The Fund determined whether its assets are impaired at least annually. This requires an estimate of the value of the assets' future cash flows.

## Notes to the Condensed Interim Financial Statements

31 DECEMBER 2019

### 3. Investments measured at amortised cost

Interest bearing securities	As at	As at Year-Ended
	31 December 2019	30 June 2019
	\$	\$
- Term Deposits	5,000,000	5,000,000
<b>Total held-to-maturity investments</b>	<b>5,000,000</b>	<b>5,000,000</b>

### 4. Financial assets at fair value through profit or loss

Interest bearing securities Designated upon initial recognition	As at	As at Year-Ended
	31 December 2019	30 June 2019
	\$	\$
- Unlisted floating rate notes	1,041,868,147	1,007,079,777
- Listed floating rate notes	5,437,491	10,849,554
<b>Total financial assets at fair value through profit or loss</b>	<b>1,047,305,638</b>	<b>1,017,929,331</b>

### 5. Fair value of financial instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 fair value measurements are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those instruments valued based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 fair value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### (i) Fair value in an active market (Level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The fund values its investments in accordance with the accounting policies set out in Note 2 to the annual report for the year ended 30 June 2019.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

#### (ii) Fair value in an inactive or unquoted market (Level 2 and Level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

## Notes to the Condensed Interim Financial Statements

31 DECEMBER 2019

### 5. Fair value of financial instruments (continued)

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Fund uses widely recognised valuation models for determining the fair value of common and simple financial instruments, such as interest rate that use only observable market data and require little management judgement and estimation.

As at 31 December 2019				
Financial assets at fair value through profit or loss	Valued at Quoted market price (Level 1)	Valuation technique-market observable inputs (Level 2)	Valuation technique-non-market observable inputs (Level 3)	Total
	\$	\$	\$	\$
- Unlisted floating rate notes and Bonds	1,041,868,147	-	-	1,041,868,147
- Listed floating rate notes	5,437,491	-	-	5,437,491
<b>Total</b>	<b>1,047,305,638</b>	<b>-</b>	<b>-</b>	<b>1,047,305,638</b>

As at 30 June 2019				
Financial assets at fair value through profit or loss	Valued at Quoted market price (Level 1)	Valuation technique-market observable inputs (Level 2)	Valuation technique-non-market observable inputs (Level 3)	Total
	\$	\$	\$	\$
- Unlisted floating rate notes and Bonds	94,085,189	912,994,588	-	1,007,079,777
- Listed floating rate notes	10,849,554	-	-	10,849,554
<b>Total</b>	<b>104,934,743</b>	<b>912,994,588</b>	<b>-</b>	<b>1,017,929,331</b>

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

As at 31 December 2019, the unlisted floating rate notes and bonds which were recognised as Level 2 as at 30 June 2019 have been transferred into Level 1. The transfer relates to the infrequently traded securities that are now actively traded in fixed income markets.

### 6. Net assets attributable to unit holders

Quantitative information about the Fund's net assets attributable to unitholders is provided in the Statement of Changes in Net Assets Attributable to Unitholders.

## Notes to the Condensed Interim Financial Statements

31 DECEMBER 2019

### 6. Net assets attributable to unit holders (continued)

Each unit issued confers upon the unitholders an equal interest in the different classes of the Fund, and is of equal value in the same class. A unit does not confer any interest in any particular asset or investment of the Fund. Unitholders have various rights under the Fund's constitution, including the right to:

- have their units redeemed at a proportionate share based on the Fund's net asset value per unit on the redemption date;
- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Fund.

The rights, obligations and restrictions attached to each unit are identical in all respects. For the purpose of calculating the net assets attributable to unitholders in accordance with the Fund's Constitution, the Fund's assets and liabilities are valued on the basis of last sale-market prices. This valuation of net asset value is different from Australian

Accounting Standards and IFRS valuation requirements. A reconciliation between the Fund's Net Asset Value (NAV) under Australian Accounting Standards, IFRS and the NAV calculated per the Fund's Constitution is provided in the Statement of Changes in Net Assets Attributable to Unitholders and the Statement of Financial Position.

	31 December 2019		30 June 2019	
	Net asset value per unit (calculated in accordance with the Fund's Constitution)	Net asset value per unit (calculated in accordance with IFRS)	Net asset value per unit (calculated in accordance with the Fund's Constitution)	Net asset value per unit (calculated in accordance with IFRS)
	\$	\$	\$	\$
MIF Class A	1.033496	1.033496	1.032063	1.032063
MIF Class C	1.029458	1.029458	1.025590	1.025590

### 7. Distribution to unitholders

		HALF-YEAR ENDED 31 DECEMBER 2019		HALF-YEAR ENDED 31 DECEMBER 2018	
		Cents per unit	\$	Cents per unit	\$
MIF Class A	30 Sep	0.6261	6,790,531	0.8055	8,361,978
	31 Dec	0.4843	5,118,651	0.8188	9,120,359
		1.1104	11,909,182	1.6243	17,482,337
MIF Class C	30 Sep	0.5869	1,392,912	0.8901	2,251,329
	31 Dec	0.2123	397,826	0.8278	1,867,908
		0.7992	1,790,738	1.7179	4,119,237
Total		1.9096	13,699,920	3.3422	21,601,574
Elimination of distribution from Class A to Class C			(2,382,233)		(3,880,242)
Distributions to unitholders			11,317,687		17,721,332

## **Notes to the Condensed Interim Financial Statements**

**31 DECEMBER 2019**

### **8. Contingent liabilities, assets and commitments**

The Fund has no undisclosed contingent liabilities, assets or commitments as at 31 December 2019 and 30 June 2019.

### **9. Related party disclosures**

#### **(a) Responsible Entity**

The Responsible Entity is owned as follows:

50% B & K Investments Australia Pty Ltd ATF Brian Buckley Family Trust

50% WEB Corporation Pty Ltd ATF Wayne Buckingham Family Trust

#### **(b) Investments**

##### *(i) Related party investments of the Fund*

The Fund does not hold investments in other registered Funds of which Mutual Limited is also the Responsible Entity.

##### *(ii) Related party investments in the Fund*

The Responsible Entity and other Funds also managed by the Responsible Entity do not hold investments in the Fund.

### **10. Events after balance date**

Since 31 December 2019 there have been no other matters or circumstances not otherwise dealt with in the condensed interim financial report that have significantly affected or may significantly affect the Fund.

**MIF**

## **Directors' Declaration**

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes of MIF set out on pages 2 to 15 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of MIF's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that MIF will be able to pay its debts as and when they become due and payable.
- (c) the financial statements are in accordance with the provisions of MIF's constitution.
- (d) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

On behalf of the Board

Mutual Limited



Wayne Buckingham  
Managing Director

Melbourne, 21 February 2020





# Independent Auditor's Review Report

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To the unitholders of MIF

## Conclusion

We have reviewed the accompanying *Interim Financial Report* of MIF (the Scheme).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of MIF is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Scheme's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The *Interim Financial Report* comprises:

- Statement of financial position as at 31 December 2019;
- Statement of profit or loss and other comprehensive income, Statement of changes in equity and Statement of cash flows for the half-year ended on that date;
- Notes comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

## Responsibilities of the Directors for the Interim Financial Report

The Directors of Mutual Limited (the Responsible Entity) are responsible for:

- the preparation of the Interim 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 Interim Financial Report that is free from material misstatement, whether due to fraud or error.



## Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Scheme's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of MIF, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

KPMG

Dean Waters

Partner

Melbourne

21 February 2020