LIBERTY TERM INVESTMENT FUND

ARSN 141 340 454

GENERAL PURPOSE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2021

LIBERTY TERM INVESTMENT FUND
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

The directors of Liberty Fiduciary Ltd (the Responsible Entity), of Liberty Term Investment Fund (the "Fund"), present their report together with the financial report of the Fund for the year ended 30 June 2021 and the auditor's report thereon.

Responsible Entity

Liberty Fiduciary Ltd (ACN 119 884 623) is the Responsible Entity of the Liberty Term Investment Fund (ARSN 141 340 454). Liberty Financial Pty Ltd (ABN 55 077 248 983) (AFSL 286596) is the Investment Manager of the Fund. The directors of the Responsible Entity at any time during or since the end of the financial year were:

Peter Hawkins (Chair)
Richard Longes
Leona Murphy (appointed 8 October 2020)
Sherman Ma

The registered office and principal place of business of the Responsible Entity and the Fund is Level 16, 535 Bourke Street, Melbourne, Victoria 3000.

Principal activities

The Fund is a registered managed investment scheme domiciled in Australia. The Fund invests in consumer and business loans secured by residential and commercial property and motor vehicles.

The Fund did not have any employees during the year.

Results and review of operations

The Fund's change in net assets attributable to unitholders for the year ended 30 June 2021 after distribution expense was nil (2020: nil), and profit from operating activities for the year ended 30 June 2021 was $848,000 (2020: $1,026,000).

Distributions paid or payable in respect of each class of unitholders in each financial year were:

	Non Class B		**Class B**		**Total**	
	2021	2020	2021	2020	2021	2020
Current year distributions paid/payable ($'000)	653	846	195	180	848	1,026
Dollars return per unit ($)	0.0386	0.0414	1,950	1,800		

The basis for the valuation of the Fund's assets is disclosed in note 4 to the financial statements.

No fees were paid to the Responsible Entity Liberty Fiduciary Ltd during the financial year (2020: nil).

Significant changes in the state of affairs

Other than set out below, in the opinion of the directors there were no significant changes in the state of affairs of the Fund that occurred during the financial year under review.

The existence of COVID-19 was confirmed in early 2020 and in March 2020 was declared a pandemic by the World Health Organisation. This has resulted in significant volatility in global and domestic financial markets. Refer to note 14 for the sensitivity analysis of risks.

Significant changes in the state of affairs (cont.)

At the date of signing of the financial statements, there is still significant uncertainty on the likely duration and the ultimate impact COVID-19 will have on world economies. Given the high degree of estimation uncertainty, management cannot reasonably assess or quantify the potential short or longer term financial impact on the Fund.

Events subsequent to balance date

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

Likely developments

Information about likely developments in the operations of the Fund and the expected results of those operations in future financial years has not been included in this report because disclosure of such information would likely result in unreasonable prejudice to the Fund.

Environmental regulation

The Fund’s operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Indemnification of officers

Under the Fund's constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Fund's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Scheme. The Fund has not indemnified any auditor of the Fund.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 3 and forms part of the directors’ report for the financial year ended 30 June 2021.

Rounding off

The Fund is of a kind referred to in ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191 dated 1 April 2016, and in accordance with that Rounding Instrument, amounts in the financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the directors of Liberty Fiduciary Ltd.

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Sherman Ma
Director

Dated at Melbourne on 14 September 2021.

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

To the Directors of Liberty Term Investment Fund

I declare that, to the best of my knowledge and belief, in relation to the audit of Liberty Term Investment Fund for the financial year ended 30 June 2021 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

14 September 2021

LIBERTY TERM INVESTMENT FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 $'000	2020 $'000
Income			
Interest income	6	1,201	1,315
Fee income		61	95
Total operating income		1,262	1,410
Expenses			
Management fee	15	(230)	(242)
Custodian fee		(29)	(27)
Auditor's remuneration	7	(43)	(43)
Interest expense on interest rate swaps		(112)	(72)
Total operating expense		(414)	(384)
Profit from operating activities		**848**	**1,026**
Finance costs			
Distribution to unitholders - Class B	12	195	180
Distribution to unitholders - Non Class B	12	653	846
		848	**1,026**
Changes in net assets attributable to unitholders/total comprehensive income		-	-

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the general purpose financial statements set out on pages 8 to 24.

LIBERTY TERM INVESTMENT FUND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

The Fund's net assets attributable to unitholders 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 prior year.

The Statement of Changes in Equity is to be read in conjunction with the notes to the general purpose financial statements set out on pages 8 to 24.

LIBERTY TERM INVESTMENT FUND
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	2021 $'000	2020 $'000
Assets			
Cash and cash equivalents	8	3,124	4,393
Financial assets	9	15,486	13,772
Receivables	10	73	66
Total Assets		**18,683**	**18,231**
Liabilities			
Payables	11	688	943
Distribution payable	12	428	232
Derivative liabilities		149	177
Total Liabilities (excluding net assets attributable to unitholders)		**1,265**	**1,352**
Net Assets attributable to unitholders	5	**17,418**	**16,879**

The Statement of Financial Position is to be read in conjunction with the notes to the general purpose financial statements set out on pages 8 to 24.

LIBERTY TERM INVESTMENT FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Interest income received		1,194	1,316
Fee income received		61	95
Operating expenses paid		(518)	(277)
Net cash from operating activities	8(b)	737	1,134
Cash flows from investing activities			
Net movements in financial assets		(1,714)	2,808
Net cash (used in)/from investing activities		(1,714)	2,808
Cash flows from financing activities			
Applications		1,121	2,545
Redemptions		(1,178)	(4,982)
Distributions paid		(84)	(117)
Movements in related parties		(151)	4
Net cash used in financing activities		(292)	(2,550)
Net (decrease)/increase in cash held		(1,269)	1,392
Cash at the beginning of the year		4,393	3,001
Cash at the end of the year	8(a)	**3,124**	**4,393**

The Statement of Cash Flows is to be read in conjunction with the notes to the general purpose financial statements set out on pages 8 to 24.

1 REPORTING ENTITY

Liberty Term Investment Fund (the "Fund") is a registered managed investment scheme under the Corporations Act 2001. The address of the Fund's registered office is Level 16, 535 Bourke Street, Melbourne, Victoria 3000. The financial report of the Fund is for the year ended 30 June 2021.

2 BASIS OF PREPARATION

The Fund is a for profit entity for the purpose of preparing these financial statements.

(a) Statement of compliance

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

The financial statements were approved by the Board of Directors of the Responsible Entity on 14 September 2021.

Certain comparative amounts have been re-presented to conform to the current year's presentation to enhance comparability.

(b) Basis of measurement

The financial statements have been prepared on the basis of historical cost except as otherwise stated.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable. 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.

(i) Judgements

Information about accounting treatments involving complex or subjective decisions or assessments are described in the following notes:

- Note 4 (e) - Impairment

2 BASIS OF PREPARATION (cont.)

(d) Use of estimates and judgements (cont.)

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 Jun 2021 is included in the following note:

- Note 4 (e) – measurement of ECL allowance financial assets: key assumptions in determining the collective provisions.

(iii) Measurement of fair values

The Fund's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Management assesses the evidence obtained from third parties to support fair value calculations, including the level in the fair value hierarchy in which such valuations should be classified. When measuring the fair value of an asset or liability, the Fund uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3 CHANGES IN ACCOUNTING POLICIES

The accounting policies set out in note 4, have been applied consistently to all periods presented in these financial statements.

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2020 that have a material impact on the Fund.

4 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, financial assets, receivables and payables.

4 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(a) Non-derivative financial instruments (cont.)

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the statement of profit or loss and other comprehensive income, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment loss.

A financial instrument is recognised if the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Fund's contractual rights to the cash flows from the financial assets expire or if the Fund transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

(b) Derivative financial instruments

The Fund is exposed to changes in interest rates from its activities and uses interest rate swaps to hedge interest rate risk. The Fund is required to hedge its interest rate exposures under the terms set out in the Fund's Product Disclosure Statement. Derivative financial instruments are not held for trading or to leverage the Fund.

Derivatives are initially measured at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value.

Current derivative financial assets are nil (2020: nil) and non-current derivative financial liabilities are $149,000 (2020: $177,000).

On entering into a hedging relationship, the Fund formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows. The hedges are assessed on an ongoing basis to determine if they have been highly effective throughout the financial reporting periods for which they are designated.

Cash flow hedges
Changes in the value of the derivative hedging instruments designated as a cash flow hedge are recognised directly in net assets attributable to unitholders to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in the statement of financial position remains there until the forecast transaction occurs. When the hedged item is a financial asset the amount recognised in net assets attributable to unitholders is reclassified to profit or loss in the same period that the hedged item affects the statement of profit or loss and other comprehensive income.

4 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Fund in the management of its short-term commitments.

(d) Financial assets

Financial assets, comprising residential mortgages, commercial mortgages and auto receivables in Australia, are initially recognised at fair value when the Fund becomes a party to the contract. They are subsequently measured at amortised cost using the effective interest method where they meet the definition of solely payments of principal and interest, based on the Fund's business model for managing, and the cash flow characteristics of the financial assets.

A financial asset is assessed annually to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

(e) Impairment

At each reporting date the Fund assesses whether financial assets carried at amortised cost are impaired. A financial asset is impaired when credit risk has increased significantly since initial recognition.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Specific provisions relate to loans that are currently known to be impaired, based on objective evidence as a result of one or more events that have occurred after the initial recognition of the asset, otherwise known as a loss event. For loans where a loss event has occurred, the provisioning process involves detailed review and analysis of individual loans. These loans are assessed for impairment based on security value, loan balance outstanding and other factors deemed relevant to collectability by management. Provisions are raised where objective evidence of impairment exists and the negative impact on estimated future cash flows of the asset can be reliably estimated.

The AASB 9 ECL impairment model applies to all financial assets, except for those which are fair value through profit or loss (FVPL), and equity securities designated as at fair value through other comprehensive income (FVOCI), which are not subject to impairment

4 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(e) Impairment (cont.)

Under AASB 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Stage 1: 12 Month ECL - Not Significantly Increased Credit Risk

Where there has been no significant increase in the risk of default since origination, allowances reflect the portion of the lifetime ECL from expected defaults in the following

Stage 2: Lifetime ECL – Significant Increase in Credit Risk (SICR)

A financial asset moves from Stage 1 to Stage 2 when there is a SICR since initial recognition.
The Fund applies a combination of quantitative and qualitative factors to assess whether a SICR has occurred. These include:

- forbearance status including provision of repayment variation;
- relevant behavioural attributes exhibited during life of the asset;
- relevant application attributes such as employment type, employment tenure and disposable income that indicate higher risk of default; and
- transferring assets more than 30 days past due into Stage 2.

The ECL impairment model, which requires judgement, is used to determine whether an exposure's credit risk has increased significantly and requires higher probability of default factors. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, being the difference between the cash flows due to the Company in accordance with the contract and the cash flows the Company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

Stage 3: Lifetime ECL – Credit Impaired

Write-off
Loans are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Fund determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Macroeconomic scenario
The assessment of credit risk, and the estimation of ECL, will be unbiased and probability weighted, and incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable information about future events and economic conditions at the report date. The Fund has established a process whereby forward-looking macroeconomic scenarios and probability weightings are developed for ECL calculation purposes. The final probability weighted ECL amount will be calculated from a Central estimate, Best Case and a Worst Case scenario.

4 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(e) Impairment (cont.)

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

The impairment charge in the Fund is ultimately borne by unitholders to the extent that the provisions do not exceed distributions to the Class B unitholder in any given year.

(f) Interest income

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

(g) Expenses

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

(h) Fee income

Fee income relating to equitably assigned financial assets is recognised as the related service is provided.

(i) Distributions and taxation

Under current legislation the Fund is not subject to income tax as its taxable income (including assessable realised capital gains) is distributed in full to the unitholders. The Fund fully distributes its taxable income, calculated in accordance with the Fund Constitution and applicable taxation legislation, to the unitholders who are presently entitled to the income under the constitution. All distributions made have been treated as an expense and are recognised when the holder of the residual income unit becomes presently entitled.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any future realised capital gains. If realised capital gains exceed realised capital losses the excess is distributed to the unitholders.

(j) Unit prices

The unit price is based on the unit price accounting outlined in the Fund's constitution and Product Disclosure Statement.

(k) Finance costs

Distributions paid and payable on units are recognised in the statement of profit or loss and other comprehensive income as finance costs and as a liability where not paid. Distributions paid are included in cash flows from financing activities in the statement of cash flows unless reinvested.

4 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(l) Changes in net assets attributable to unitholders

Non-distributable income, which may comprise unrealised changes in the fair value of investments, net capital losses, tax-deferred income, accrued income not yet assessable and non-deductible expenses are reflected in the statement of profit or loss and other comprehensive income as changes in net assets attributable to unitholders.

These items are included in the determination of distributable income in the period for which they are assessable for taxation purposes.

(m) Redeemable units

All redeemable units issued by the Fund provide the investors with the rights to require redemption for cash and give rise to a financial liability. In accordance with the constitution the Fund is obliged to redeem units at the redemption price, which includes an allowance for transaction costs.

5 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

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

The objective of the Fund is to provide unitholders with returns in accordance with the Product Disclosure Statement (PDS). The Fund aims to deliver this objective through investing in a highly diversified portfolio in accordance with limitations set out in the PDS.

The Fund strives to invest in products that meet the Funds investment objectives while maintaining sufficient liquidity to meet unitholders' redemptions.

The Fund's constitution prescribes the income entitlement for Non Class B unitholders as the target return (rate of return multiplied by the number of units held) multiplied by the number of days for which the Non Class B unitholder has held the unit in the distribution period. The return calculated for a Class B unitholder is equal to the excess distribution income available after all the income entitlements of Non Class B unitholders have been paid.

2021	**Non Class B**	**Class B**	**Total**
Number of units			
Opening balance	17,056,444	100	17,056,544
Applications	1,121,000	-	1,121,000
Units issued/distributions reinvested	568,390	-	568,390
Redemptions	(1,178,311)	-	(1,178,311)
Closing unitholders balance	17,567,523	100	17,567,623

5 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (cont.)

2021	**Non Class B $'000**	**Class B $'000**	**Total $'000**
Unitholders			
Opening balance	16,879	-	16,879
Applications	1,121	-	1,121
Units issued/distributions reinvested	568	-	568
Redemptions	(1,178)	-	(1,178)
Cash flow hedge reserve attributable to unitholders	28	-	28
Closing unitholders balance	17,418	-	17,418
Cash distributions (not reinvested)	84	-	84

2020	**Non Class B**	**Class B**	**Total**
Number of units			
Opening balance	18,735,868	100	18,735,968
Applications	2,545,000	-	2,545,000
Units issued/distributions reinvested	757,300	-	757,300
Redemptions	(4,981,724)	-	(4,981,724)
Closing unitholders balance	17,056,444	100	17,056,544

2020	**Non Class B $'000**	**Class B $'000**	**Total $'000**
Unitholders			
Opening balance	18,602	-	18,602
Applications	2,545	-	2,545
Units issued/distributions reinvested	757	-	757
Redemptions	(4,982)	-	(4,982)
Cash flow hedge reserve attributable to unitholders	(43)	-	(43)
Closing unitholders balance	16,879	-	16,879
Cash distributions (not reinvested)	117	-	117

6 INTEREST INCOME

	2021 $'000	**2020 $'000**
Interest income on financial assets measured at amortised cost	1,201	1,307
Interest on deposits	-	8
	1,201	1,315

7 AUDITOR'S REMUNERATION

Audit Services:		
Auditor of the Fund - KPMG		
Audit of the financial statements	20	20
Other regulatory services	23	23
	43	43

8 CASH AND CASH EQUIVALENTS

	2021 $'000	2020 $'000
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents at bank	3,124	4,393
(b) Reconciliation of cash flows from operating activities		
Profit after distributions	-	-
Adjustments for:		
Total distribution paid or reinvested	653	875
Increase in distribution payable to unitholders	196	152
Increase in receivables	(7)	-
(Decrease)/increase in accrued expenses	(105)	107
Net cash from operating activities	737	1,134

9 FINANCIAL ASSETS

	2021 $'000	2020 $'000
Financial assets measured at amortised cost	15,486	13,772

Geographic concentration of financial assets

	2021 $'000	2020 $'000
New South Wales/ACT	5,145	5,853
Victoria/Tasmania	6,029	5,847
Queensland	2,838	1,364
Western Australia	769	409
South Australia/Northern Territory	705	299
	15,486	13,772

As at 30 June 2021 the Fund held collateral valued at $24,816,000 (2020: $21,164,000). Specific provision charges for financial asset impairment for the year ended 30 June 2021 were nil (2020: nil) and collective provision charges were $71,000 (2020: $208,000) all of which are incurred by the Class B unitholder.

Current financial assets are $1,564,000 (2020: $2,186,000) and non-current financial assets are $13,922,000 (2020: $11,586,000).

10 RECEIVABLES

	2021 $'000	2020 $'000
Interest and other receivables	73	66
	73	66

All receivable balances are current.

11 PAYABLES

	2021 $'000	2020 $'000
Payable to related parties	653	804
Accrued expenses	35	139
	688	943

All payable balances are current.

12 DISTRIBUTIONS PAID AND PAYABLE

	2021			2020		
	Non Class B	Class B	Total	Non Class B	Class B	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance	52	180	232	80	-	80
Less amount distributed relating to prior year	(52)	-	(52)	(80)	-	(80)
Current year distributions	653	195	848	846	180	1,026
Less amount distributed relating to current year	(600)	-	(600)	(794)	-	(794)
Balance at the end of the financial year	53	375	428	52	180	232

13 DETERMINATION OF FAIR VALUES

The Fund's disclosures require determination of fair values for financial assets and liabilities. Management assesses the evidence obtained from third parties to support the conclusion that fair value valuation meet the requirements of AASB 13, including the level in the fair value hierarchy in which such valuation should be classified. When measuring the fair value of an asset or liability, the Fund uses market observable data as far as possible. See note 13 (d) for further information about fair value measurement techniques.

(a) Short term financial assets and receivables

Cash and cash equivalents, accrued interest and receivables are short term financial assets. Management have assessed that the carrying value of these assets approximates fair value as they are short term in nature.

(b) Financial assets

The carrying amount of financial assets includes deferred fees accounted for using the effective interest method and are initially recognised at fair value. They are subsequently measured at amortised cost using the effective interest method net of provisions for impairment. Fair value is calculated based on the present value of future principal and interest cash flows discounted at the credit risk-adjusted rate of interest at the reporting date.

(c) Payables

The carrying value of payables approximates fair value as they are short term in nature.

13 DETERMINATION OF FAIR VALUES (cont.)

(d) Fair value

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities.

2021	**Note**	**Carrying Amount**			**Fair Value**
		Fair value through profit or loss	Financial assets/ (financial liabilities) at amortised cost	Total	
		$'000	**$'000**	**$'000**	**$'000**
Financial assets not measured at fair value					
Cash and cash equivalents	8	-	3,124	3,124	3,124
Financial assets	9	-	15,486	15,486	15,884
Receivables	10	-	73	73	73
Financial liabilities measured at fair value					
Derivative liabilities		(149)	-	(149)	(149)
Financial liabilities not measured at fair value					
Payables	11	-	(688)	(688)	(688)
Distribution payable	12	-	(428)	(428)	(428)
		(149)	17,567	17,418	17,816

Derivative financial instruments measured at fair value are measured using level 2 valuation inputs. Financial assets are disclosed at fair value using level 3 valuation inputs.

2020	**Note**	**Carrying Amount**			**Fair Value**
		Fair value through profit or loss	Financial assets/ (financial liabilities) at amortised cost	Total	
		$'000	**$'000**	**$'000**	**$'000**
Financial assets measured at fair value					
Derivative assets		-	-	-	-
Financial assets not measured at fair value					
Cash and cash equivalents	8	-	4,393	4,393	4,393
Financial assets	9	-	13,772	13,772	14,174
Receivables	10	-	66	66	66
Financial liabilities measured at fair value					
Derivative liabilities		(177)	-	(177)	(177)
Financial liabilities not measured at fair value			(943)		
Payables	11	-	(232)	(943)	(943)
Distribution payable	12	-	-	-	-
		(177)	17,056	17,111	17,513

Derivative financial instruments measured at fair value are measured using level 2 valuation inputs. Financial assets are disclosed at fair value using level 3 valuation inputs.

13 DETERMINATION OF FAIR VALUES (cont.)

Valuation techniques - financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Financial assets	Discounted cash flows: a fair value adjustment is made for fixed rate loans using actual loan rate as this incorporates a credit risk margin as at reporting date to calculate the present value of future cash flows.	Future cash flows for the remaining term of loans, including principal and interest; discount rate; credit risk of customers.

Transfers between level 1, level 2 and level 3

There were no transfers between level 1, level 2 and level 3 in 2021 (2020: nil).

Level 3 fair values

In 2021 there were no financial assets or liabilities measured in the statement of financial position at fair value calculated using level 3 unobservable inputs (2020: nil).

14 FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

This note presents information about the Fund's exposure to each of the risks detailed below, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

(b) Risk management framework

The Board of the Responsible Entity has overall responsibility for the establishment and oversight of the risk management framework. The Board works with a related party's Risk, Audit and Compliance Committee (the "Committee") which is responsible for monitoring the emerging and changing risk profile of the Fund. The Committee is responsible for reviewing the adequacy of internal systems, controls and procedures in relation to the risk management framework and the risks faced by the Fund and Responsible Entity. The Committee is assisted in its oversight by the Risk department which coordinates, sets policy and monitors the Fund's effectiveness in credit risk, liquidity and market risk. The Chief Financial Officer reports regularly to the Committee and the Board. Risk management policies and systems are updated to reflect changes in market conditions and the Fund's activities.

In response to COVID-19 the Fund has further strengthened its financial risk management framework through more frequent board updates and enhanced stress testing, liquidity management and portfolio monitoring.

(c) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. Credit risk arises primarily from the Fund's financial assets.

(i) Management of credit risk

The Fund's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the credit standards set out in the Fund's Product Disclosure Statement.

14 FINANCIAL RISK MANAGEMENT (cont.)

(c) Credit risk (cont.)

(i) Management of credit risk (cont.)

Credit risk is monitored on a monthly basis by the Investment Manager in accordance with policies and procedures in place. The Fund's credit risk is monitored on a quarterly basis by the board of directors of the Responsible Entity.

(ii) Exposure to credit risk

The Fund's maximum credit risk exposure (without taking into account collateral) at the reporting date is represented by the respective carrying amounts of the relevant financial assets in the statement of financial position.

The carrying amount of financial assets held by the Fund that would be otherwise past due or impaired is nil. As such no financial assets were subject to renegotiated terms during the current year (2020: nil).

The derivatives are entered into with bank and financial institution counterparties, which are rated AA-, based on rating agency Standard and Poor's or comparable ratings.

(iii) Past due and impaired assets

There were no impaired financial assets as at 30 June 2021 (2020: nil).

(d) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivery of cash or other financial assets, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

(i) Management of liquidity risk

The Fund's policy and the Investment Manager's approach to managing liquidity is to have sufficient liquidity to meet its liabilities, including estimated redemptions of units, as and when due without incurring undue losses or risking damage to the Fund's reputation.

The Fund produces cash flow estimates to ensure that at all times the Fund has cash or cash equivalents sufficient to meet its projected cash needs over the next three months.

Management does not expect all current unitholders to redeem their units in the short term, and as such has sufficient liquid assets to meet its commitments.

Contractual maturity
The contractual maturities profile below is based on the Fund's assumptions that (i) interest and principal receipts on financial assets are based on the existing portfolio; (ii) interest income on financial assets are based on current interest rates; (iii) the maturity profile of unitholders' investment reflects the legal maturity date.

14 FINANCIAL RISK MANAGEMENT (cont.)

(d) Liquidity risk (cont.)

(i) Management of liquidity risk (cont.)

2021	Note	Carrying amount	Contractual cash flows	<1 year	1-5 years	> 5 years
		$'000	$'000	$'000	$'000	$'000
Non-derivative financial assets						
Cash and cash equivalents	8	3,124	3,124	3,124	-	-
Financial assets	9	15,486	26,682	2,915	7,793	15,974
Receivables	10	73	73	73	-	-
Total assets		18,683	29,879	6,112	7,793	15,974
Non-derivative financial liabilities						
Unitholders	5	17,418	17,869	17,312	557	-
Payables	11	688	688	688	-	-
Distributions payable	12	428	428	428	-	-
Derivative financial liabilities						
Derivative liabilities		149	151	83	68	-
Total liabilities		18,683	19,136	18,511	625	-

2020	Note	Carrying amount	Contractual cash flows	<1 year	1-5 years	>5 years
		$'000	$'000	$'000	$'000	$'000
Non-derivative financial assets						
Cash and cash equivalents	8	4,393	4,393	4,393	-	-
Financial assets	9	13,772	21,932	3,417	6,929	11,586
Receivables	10	66	66	66	-	-
Total assets		18,231	26,391	7,876	6,929	11,586
Non-derivative financial liabilities						
Unitholders	5	16,879	17,326	16,689	637	-
Payables	11	943	943	943	-	-
Distributions payable	12	232	232	232	-	-
Derivative financial liabilities						
Derivative liabilities		177	180	86	93	1
Total liabilities		18,231	18,681	17,950	730	1

(e) Market risk

Market risk is the risk that changes in market prices, such as interest rates and credit spreads will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

The Fund uses interest rate derivatives to hedge against its fixed book exposures by swapping fixed to floating interest rate swaps. The Fund's determination of the economic relationship between the hedged item and the hedging instrument is based on the pay down profile of the fixed rates loans.

14 FINANCIAL RISK MANAGEMENT (cont.)

(e) Market risk (cont.)

(i) Management of market risk

The Fund's strategy for the management of market risk is driven by the Fund's investment objective. The Fund's market risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures in place.

(ii) Exposure to interest rate risk

The Fund is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. Interest rate swaps are entered into to achieve an appropriate mix of fixed and floating rate exposure in line with the Fund's interest rate risk management strategy. The swap has a fixed rate of 2.130% (2020: 1.830%) and a notional contract amount of $4,782,000 (2020: $5,954,000).

At reporting date the interest rate profile of the Fund's interest bearing financial instruments was as follows:

	2021 $'000	2020 $'000
Fixed rate instruments		
Financial assets	4,803	5,954
Variable rate instruments		
Cash and cash equivalents	3,124	4,393
Financial assets	10,683	7,818
	13,807	12,211

The return on financial liabilities varies depending upon the performance of the Fund, and are therefore not directly linked to interest rate movements.

Sensitivity analysis
The Fund's exposure to interest rate risk is minimised as the Fund actively manages its cost of funding and reprices its loan portfolio in response to changes in cost of funds within a short timeframe.

A change in market interest rates and interest rate swaps affects the value placed on future cash flows. A movement in the variable interest rate of 2%/-2% (2020: +2%/-2%) would result in an increase/decrease in profit of $276,000 (2020: $244,000). A movement in the interest rate swaps of 2%/-2% (2020: 2%/-2%) would result in a decrease/increase in profit of $96,000 (2020: $119,000).

(f) Capital management

The Fund manages its capital to ensure that it will be able to continue as a going concern while maximising the return to unitholders and maintaining investor, creditor and market confidence.

The Fund maintains a minimum level of capital in liquid form to support future operational initiatives, expected short term cash outflows and unexpected asset impairment. The Fund manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. Withdrawals are required to be in line with each investment term, and the Fund monitors and projects these cash flows on a monthly basis.

There have been no significant changes to the Fund's capital management strategy during the year.

14 FINANCIAL RISK MANAGEMENT (cont.)

(g) Derivative assets and liabilities designated as cash flow hedges

The amounts relating to items designated as cash flow hedging instruments and hedge ineffectiveness as at and for the year ended 30 June 2021 are presented in the table below.

Cash flow hedges	As at 30 June 2021 Nominal amount - maturity			Carrying amount		During the year ended 30 June 2021		
$'000	1 - 6 months	7 - 12 months	More than one year	Assets	Liabilities	Change in the value of the hedging instrument recognised in net assets	Hedging ineffectiveness recognised in profit or loss	Amounts reclassified from hedging reserve to profit or loss
Interest rate risk								
Interest rate swaps	-	-	4,782	-	(149)	28	-	-

Cash flow hedges	As at 30 June 2020 Nominal amount - maturity			Carrying amount		During the year ended 30 June 2020		
$'000	1 - 6 months	7 - 12 months	More than one year	Assets	Liabilities	Change in the value of the hedging instrument recognised in net assets	Hedging ineffectiveness recognised in profit or loss	Amounts reclassified from hedging reserve to profit or loss
Interest rate risk								
Interest rate swaps	-	-	5,954	-	(177)	(43)	-	-

15 RELATED PARTIES

(a) Responsible Entity

The Responsible Entity of Liberty Term Investment Fund is Liberty Fiduciary Ltd (ACN 119 884 623).

(b) Key management personnel

Key management personnel are remunerated by a related entity. Payments made from the Fund to the Responsible Entity do not include any amount that is directly attributable to key management personnel remuneration.

Key management personnel of the Fund are the Directors of the Responsible Entity.

The directors of the Responsible Entity at any time during or since the end of the financial year were:

Peter Hawkins (Chair)
Richard Longes
Leona Murphy (appointed 8 October 2020)
Sherman Ma

(c) Related party transactions

All transactions with related parties are conducted on normal commercial terms and conditions. All related party receivables/payables are unsecured.

A management fee is payable to the Investment Manager, Liberty Financial Pty Ltd for administering and managing the Fund and its investments. This is an ongoing fee per annum based on the gross asset value of the Fund. The management fee paid and payable for the year ended 30 June 2021 was $230,000 and $20,000 respectively (2020: $242,000 and $20,000 respectively).

No fees were paid to the Responsible Entity Liberty Fiduciary Ltd during the financial year (2020: nil).

15 RELATED PARTIES (cont.)

(d) Related party investments held by the Fund

The Fund has a policy on related party transactions, including arrangements to manage conflicts of interest, and it monitors these regularly. The Responsible Entity, the Investment Manager, and their related parties may hold units in the Fund from time to time.

(e) Units in the Fund held by related parties

Liberty Fiduciary Ltd, its controlled entities and related parties as at 30 June 2021 hold the following units in the Fund:

	Unitholding	Interest held	Units redeemed	Distribution received/ receivable
	$'000	%	$'000	$'000
Minerva Holding Trust	12,757	73%	-	456

Liberty Fiduciary Ltd, its controlled entities and related parties as at 30 June 2020 hold the following units in the Fund:

	Unitholding	Interest held	Units redeemed	Distribution received/ receivable
	$'000	%	$'000	$'000
Minerva Holding Trust	12,301	72%	-	568

(f) Units in the Fund held by other related parties

As at 30 June 2021 no directors of the Responsible Entity held units in the Fund (2020: nil) and no related parties of directors held units in the Fund (2020: nil).

16 COMMITMENTS AND CONTINGENT LIABILITIES

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

17 EVENTS SUBSEQUENT TO BALANCE DATE

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

LIBERTY TERM INVESTMENT FUND
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2021

In the opinion of the directors of Liberty Fiduciary Ltd, the Responsible Entity of the Liberty Term Investment Fund (the "Fund"):

(a) the financial statements and notes, set out on pages 4 to 24, 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 of its performance, for the financial year ended 30 June 2021; and

  (ii) complying with the 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.

(c) the financial report also complies with International Financial Reporting Standards as disclosed in note 2 (a).

Signed in accordance with a resolution of the directors of Liberty Fiduciary Ltd in their capacity as Responsible Entity of the Liberty Term Investment Fund:

Sherman Ma
Director

Dated at Melbourne on 14 September 2021.

LIBERTY TERM INVESTMENT FUND
DIRECTORY
AS AT 30 JUNE 2021

Fund
Liberty Term Investment Fund
Registered Office and Principal Place of Business
Level 16, 535 Bourke Street
Melbourne VIC 3000

Investment Manager
Liberty Financial Pty Ltd (ABN 55 077 248 983)
Level 16, 535 Bourke Street
Melbourne VIC 3000
Ph: 03 8635 8888
Fax: 03 8635 9988

Trustee
Liberty Fiduciary Ltd (ABN 80 119 884 623)
Level 16, 535 Bourke Street
Melbourne VIC 3000
Ph: 03 8635 8888
Fax: 03 8635 9988

Custodian
Perpetual Trustee Company Limited (ABN 42 000 001 007)
Level 18 Angel Place, 123 Pitt Street
Sydney NSW 2000
Ph: 02 9229 9000
Fax: 02 8256 1427

Independent Auditor's Report

To the unitholders of Liberty Term Investment Fund

Opinion

We have audited the ***Financial Report*** of the Liberty Term Investment Fund (the Fund).

In our opinion, the accompanying ***Financial Report*** of the Liberty Term Investment Fund is in accordance with the *Corporations Act 2001*, including

- giving a true and fair view of the Fund's financial position as at 30 June 2021, and of its financial performance and its cash flows for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises the:

- The statement of financial position as at 30 June 2021
- The statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

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

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

We are independent of the Fund in accordance with the *Corporations Act 2001* and the relevant ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code). We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in the Liberty Term Investment Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Liberty Fiduciary Ltd (the Responsible Entity) are responsible for the Other Information.

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

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

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

Responsibilities of Directors for the Financial Report

The Directors of Liberty Fiduciary Ltd (the Responsible Entity) are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Fund's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the 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 objective is:

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

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

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Dean Waters

Partner

Melbourne

14 September 2021