

**AUSTRALIAN DIVERSIFIED  
INCOME FUND**

ABN 85 755 384 904

FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2018

# AUSTRALIAN DIVERSIFIED INCOME FUND

## TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2018

The Directors of the Trustee, Vasco Investment Managers Limited presents their report on the Australian Diversified Income Fund ('the Fund') for the year ended 30 June 2018.

### 1. Directors

The names of Directors of the Trustee in office at any time during the financial year are:

Craig Mathew Dunstan (appointed 6 August 2009)

Fiona Jean Dunstan (appointed 6 August 2009)

Stephen George Hawkins (appointed 10 May 2010)

Jonathan William Martin (appointed 6 August 2009)

The Directors have been in office since the establishment of the Fund to the date of this report unless otherwise stated.

### 2. Principal Activities

The principal activity of the Fund is to pool investors' money and invest in a portfolio of loans to Special Purpose Vehicles companies (SPVs) related to the investment manager of the Fund. The SPVs will then invest in a range of income producing assets determined by the Investment Manager which may include recurring revenue from mortgage broking portfolios and residential property rental businesses, fixed income instruments and property related debt. The Fund may also invest directly into other managed investment schemes that invest in income producing assets.

The Fund was established on 15 November 2017 and issued the first units on the commencement date of 20 April 2018. As the Fund commenced operations this financial year, there is no comparative information for the financial year ending 30 June 2017.

### 3. Operating Results

The operating profit of the Fund for the financial year ending 30 June 2018 was \$16,617.

### 4. Review of Operations

During the period since inception the Fund issued 1,855,964 units. The first units were issued on 20 April 2018.

As at 30 June 2018, the Fund has made loans to SPVs totaling \$1,400,000. The details of each loan are set out below:

Borrower	ADIF SPV 1 Pty Ltd	SPV 1 Loan Market Pty Ltd
Interest Rate	10% per annum	10% per annum
Date of first Drawdown	8 June 2018	8 June 2018
Amount of first Drawdown	\$700,000	\$700,000
Term	5 years	5 years
Repayment Date	8 June 2023	8 June 2023

## AUSTRALIAN DIVERSIFIED INCOME FUND

### TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2018

#### 5. Review of Performance

Unit Class	2018 % p.a.
Ordinary Units	6.5

#### 6. Unit Redemption Prices

Unit redemption prices (quoted ex-distribution and exclusive of exit fees) are shown as follows:

	2018 \$
At 30 June	0.99
High during year	0.99
Low during year	0.99

The availability and timing of redemptions is subject to the terms of the Fund's Constitution.

#### 7. Distributions Paid or Recommended

In accordance with the Information Memorandum and Constitution of the Fund, distributions are calculated on a unit per day basis, accrued on a monthly basis and are paid on quarterly basis. The first distribution date was 30 June 2018 and was paid within 60 business days of the distribution date.

The following distributions are payable for the period to 30 June 2018:

Period	Distribution
30/06/2018	\$0.000178 per unit per day

The total distributions declared for the financial year were \$16,617.

#### 8. Applications Held

At 30 June 2018, the value of pending applications was \$ Nil.

#### 9. Redemption Arrangements

As detailed in the Fund's Constitution the Trustee is not under any obligation to buy back, purchase or redeem units from unitholders. Consequently, no units were redeemed by the Trustee during the reporting period.

#### 10. Options

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

# **AUSTRALIAN DIVERSIFIED INCOME FUND**

## **TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2018**

### **11. Proceedings on Behalf of the Fund**

No person has applied for leave of court to bring proceedings on behalf of the Fund or intervene in any proceedings to which the Fund is a party for the purpose of taking responsibility on behalf of the Fund for all or any part of their proceedings. The Fund was not a party to any such proceedings during the period.

### **12. Value of Scheme Assets**

The Gross Asset Value of the Fund's assets at the end of the reporting period was \$1,885,560. The Net Asset Value at the end of the reporting period was \$1,855,964.

### **13. Significant Changes in State of Affairs**

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

### **14. After Balance Date Events**

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years other than as disclosed in this report.

### **15. Future Developments**

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

### **16. Indemnifying Officers or Auditor**

During or since the end of the financial year, the Trustee has paid insurance premiums to insure each of the aforementioned directors as well as officers of the Trustee against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of the Trustee, other than conduct involving a willful breach of duty in relation to the Trustee.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Trustee has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify an officer or auditor of the Trustee or of any related body corporate against a liability incurred as such an officer or auditor.

### **17. Units held by the Trustee, Investment Manager or Related Parties**

As at 30 June 2018, the Trustee or Investment Manager and their related parties held nil units in the Fund.

### **18. Interests Issued in the Fund**

During the financial year 1,855,964 units were issued.

### **19. Number of Interests on Issue**

As at 30 June 2018, the number of units on issue in the Fund was 1,855,964.

# AUSTRALIAN DIVERSIFIED INCOME FUND

## TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2018

### 20. Fees, Commissions or Other Charges by the Trustee, Investment Manager or Related Parties

The Trustee was entitled to a once off establishment fee of \$14,500 payable on establishment of the Fund and a fee equal to 0.10% per annum of the Fund's gross asset value, subject to a minimum fee of \$25,000 the first year after the establishment of the Fund for acting as the Trustee of the Fund. This fee accrues and is calculated daily from execution of the Constitution and is payable to the Trustee monthly in arrears. This fee totaled \$15,616 (plus GST) of which \$859 is claimable by the Fund as RITC.

In addition, fees of \$3,945 (plus GST) were accrued and paid by the Fund to Vasco Funds Management Pty Ltd for its role as Administration Manager of the Fund, of which \$296 is claimable by the Fund as RITC.

The Investment Manager was entitled to the following fees:

- an investment management fee of 1.0% per annum of the Fund's gross asset value, which totaled \$3,056 (plus GST); and
- a performance fee of 50% of the income above the Hurdle Income Return which totaled \$Nil.

The Investment Manager has agreed to forego its fees, or part thereof, at all times where the expense of those fees may, in the Trustees discretion, reduce the Unit Price of the Fund to below \$1.00. The Investment Manager has also agreed to pay other fees and costs of the Fund until such time, in Trustee's discretion, as they are able to be paid from the assets of the Fund and may be reimbursed from the Fund for these payments.

As at 30 June 2018, a amount of \$3,343 has been deducted from the investment manager fees payable of \$3,056 leaving a deficit payable of \$287. Any deficit funds will be recovered prior to investment manager fees being paid to the Investment Manager. As a result, no fees were paid to the Investment Manager during the year.

### 21. Rounding of Amounts

The Fund is of a kind referred to in the *Australian Securities and Investments Commission's Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191*. Consequently, amounts in the financial statements have been rounded to the nearest dollar in accordance with that legislative instrument, or in certain cases, the nearest thousand dollars.

### 22. Environmental Regulation

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

Signed in accordance with a resolution of the Board of Directors of Vasco Investment Managers Limited by:



**Craig Mathew Dunstan**

Director

Date: 10 September 2018

# AUSTRALIAN DIVERSIFIED INCOME FUND

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	2017 \$
<b>Revenue and other income</b>			
Bank interest	2 (b)	2,575	-
Loan interest income	3 (a)	8,822	-
Establishment fee		14,000	-
Application fee		14,000	-
<b>Total revenue and other income</b>		<b>39,397</b>	<b>-</b>
<b>Expenses</b>			
Other administration expenses	9	3,506	-
Administration fees	8	3,945	-
Trustee fees	8	15,616	-
Investment manager fees	7	(287)	-
<b>Total expenses</b>		<b>22,780</b>	<b>-</b>
<b>Operating profit/(loss) before finance costs attributable to unitholders</b>		<b>16,617</b>	<b>-</b>
<b>Finance costs attributable to unitholders</b>			
Distribution payable to unitholders		16,617	-
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements

# AUSTRALIAN DIVERSIFIED INCOME FUND

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2018 \$	2017 \$
<b>Current assets</b>			
Cash and cash equivalents	2 (a)	484,026	-
Accrued investment income	3 (a)	1,534	-
<b>Total current assets</b>		<b>485,560</b>	<b>-</b>
<b>Non-current assets</b>			
Investment assets	3 (b)	1,400,000	-
<b>Total non-current assets</b>		<b>1,400,000</b>	<b>-</b>
<b>Total assets</b>		<b>1,885,560</b>	<b>-</b>
<b>Liabilities</b>			
Fees payable	4	3,412	-
Administration expenses payable	5	4,398	-
Distributions payable		16,617	-
Sundry creditor	11	5,169	-
<b>Total liabilities</b>		<b>29,596</b>	<b>-</b>
<b>Net assets</b>		<b>1,855,964</b>	<b>-</b>
<b>Represented by:</b>			
Issued units	6 (a)	1,855,964	-
Undistributed profit/(loss) attributable to unitholders	6 (b)	-	-
<b>Net assets attributable to unitholders</b>		<b>1,855,964</b>	<b>-</b>

The accompanying notes form part of these financial statements

# AUSTRALIAN DIVERSIFIED INCOME FUND

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Bank interest		2,575	-
Payment to suppliers		(10,693)	-
Tax paid		1,527	-
Other fees received		27,365	-
Loan interest income		7,288	-
Net cash provided by/ (used in) operating activities	10	<u>28,062</u>	<u>-</u>
<b>Cash flows from investing activities</b>			
Payment for investment assets		(1,400,000)	-
Net cash provided by/ (used in) investing activities		<u>(1,400,000)</u>	<u>-</u>
<b>Cash flows from financing activities</b>			
Proceeds from units issue		1,855,964	-
Net cash provided by/ (used in) financing activities		<u>1,855,964</u>	<u>-</u>
Net increase/ (decrease) in cash and cash equivalents		484,026	-
Cash and cash equivalents at the beginning of year		-	-
<b>Cash and cash equivalents at the end of year</b>	2 (a)	<u><u>484,026</u></u>	<u><u>-</u></u>

The accompanying notes form part of these financial statements



## **AUSTRALIAN DIVERSIFIED INCOME FUND**

### **STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018**

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or the end of the financial year.

# AUSTRALIAN DIVERSIFIED INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

The financial report is for the entity Australian Diversified Income Fund ('the Fund') as an individual entity. The Fund is an unregistered managed investment scheme established and domiciled in Australia. The Trustee of the Fund is Vasco Investment Managers Limited, and Australian Diversified Income Pty Ltd is appointed as the Investment Manager of the Fund.

#### Financial Reporting Framework

The Fund is not a reporting entity, because in the opinion of the directors of the Trustee, there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored, so as to specifically satisfy all of their information needs. Accordingly, this special purpose financial report has been prepared to satisfy the directors of the Trustee's reporting requirements under *Corporations Act 2001*.

#### Basis of Preparation

The financial report is a special purpose financial report that has been prepared in accordance with the recognition and measurement requirements of all Australian Accounting Standards (including Australian Accounting Interpretations), and the disclosure requirements of *AASB 101: Presentation of Financial Statements*, *AASB 107: Statement of cash flows* and *AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors*, the *Corporations Act 2001 (Cth)* and the Fund's Constitution.

The functional and presentation currency of the Fund is Australian dollars.

#### Significant Accounting Policies

##### (a) Financial instruments

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

##### (i) Measurement

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

Under this approach, financial assets and financial liabilities are generally measured initially at fair value excluding any transaction costs that are directly attributable to acquisition.

Subsequent to initial recognition, all financial instruments are measured at fair value with changes in their fair value recognized in the statement of comprehensive income.

##### *Fair value in an active market*

The fair value of financial assets and liabilities traded in active markets are based on their quoted market prices at the reporting date without any deduction for estimate future selling costs. Financial assets are priced at current bid prices on the reporting date, while financial liabilities are priced at current offer prices.

##### *Fair value in an inactive or unquoted market*

The fair values of financial assets and liabilities that are not traded in an active market are determined through the valuation policy identified in the Information Memorandum for the Fund

# AUSTRALIAN DIVERSIFIED INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (a) Financial instruments (continued)

##### (ii) Categorisation

The Fund's investments are categorised as follows:

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

##### *Financial liabilities and equity*

Financial liabilities and equity instruments issued by the Fund are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted for specific financial liabilities and equity instruments are set out below:

##### *Issued units*

The Fund issues units which have a limited life under the Fund's Constitution and are classified as equity in accordance with *AASB 132 Financial Instruments: Presentation* as amended by *AASB 2008-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation*.

Should the terms or conditions of the units change such that they no longer comply with the criteria for classification as equity in the revised *AASB 132*, the units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability at the date of reclassification would be recognised in equity.

Where the Fund buys back any of its units from unitholders, the consideration paid, including any directly attributable incremental costs are recognised as a reduction in equity attributable to the Fund's unitholders.

#### (b) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST, and accruals are shown exclusive of GST.

#### (c) Income tax

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

#### (d) Critical judgements and significant accounting estimates

The preparation of financial statements requires the directors of the Trustee to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

# AUSTRALIAN DIVERSIFIED INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (e) Comparatives

As the Australian Diversified Income Fund commenced operations this financial year, there are no comparative numbers for the year ending 30 June 2018.

#### (f) Foreign Exchange

Items included in the financial records are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in Australian dollars, which is the presentation currency of the Fund.

#### (g) New accounting standards and interpretations

A number of new accounting standards and interpretation have been published, and are mandatory for at least part of the 30 June 2018 reporting period, having come into effect on the 1 January 2018:

- (i) AASB 9 *Financial Instruments*
- (ii) AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9*
- (iii) AASB 2013-9 *Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments - Part C*
- (iv) AASB 2014-1 *Amendments to Accounting Standards*

Broadly, these new standards require all financial instruments to measured at fair value unless the criteria for amortised cost are met.

The introduction of the standard is not expected to change the measurement basis of any of the Fund's current financial instruments.

- (v) AASB 15: *Revenue from contracts with customers*

Broadly, this new standard relates to the recognition of revenue from contracts for goods and services, including construction contracts.

While this standard does not relate to a significant portion of the Fund's holdings, to the extent that it does apply, it is not expected to change the measurement basis of any of the Fund's current financial instruments, or the valuation of the Fund's assets.

There are no other pending standards that are relevant to the Fund in the current or future reporting periods as at the issue date of this report.

## AUSTRALIAN DIVERSIFIED INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### NOTE 2: CASH AND CASH EQUIVALENTS

##### (a) Cash at bank

	2018	2017
	\$	\$
Macquarie Bank	484,026	-
	<u>484,026</u>	<u>0</u>

##### (b) Bank interest income

Cash on deposit is held in a Macquarie Bank cash management account (AUD). The interest rate paid by Macquarie to 31 December 2017 was 1.40%. From 1 January 2018 the interest rate has been 1.30% pa paid monthly on balances greater than \$5,000. The Fund has been able to obtain a higher return from Macquarie amounting to an extra 0.25% pa.

#### NOTE 3: INVESTMENT ASSETS

##### (a) Investment income

A return of 10% p.a. is payable on the amount invested. Interest applicable on the loans was \$8,822 as at 30 June 2018.

The interest on the loans is calculated from the dates they were drawn down to 30 June 2018, then annually thereafter.

##### (b) Investment held

As at 30 June 2018, the Fund has made loans to Special Purpose Vehicles (SPVs) totalling \$1,400,000. The details of each loan are set out below:

Borrower	ADIF SPV 1 Pty Ltd	SPV 1 Loan Market Pty Ltd
Interest Rate	10% per annum calculated and accruing daily on the Loan and payable monthly in advance	10% per annum calculated and accruing daily on the Loan and payable monthly in advance
Date of first Drawdown	8 June 2018	8 June 2018
Amount of first Drawdown	\$700,000	\$700,000
Term	5 years	5 years
Repayment Date	8 June 2023	8 June 2023

# AUSTRALIAN DIVERSIFIED INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### NOTE 4: FEES PAYABLE

	2018	2017
	\$	\$
Trustee fees payable	2,055	-
Administration fees payable	1,644	-
Investment manager fees payable	(287)	-
	<u>3,412</u>	<u>0</u>

### NOTE 5: ADMINISTRATION EXPENSES PAYABLE

	2018	2017
	\$	\$
GST payable/(receivable)	1,527	-
Provision for tax return fees	2,300	-
Other accrued expenses	571	-
	<u>4,398</u>	<u>0</u>

### NOTE 6: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

#### (a) Issued units

	2018	2017
	\$	\$
Opening balance	-	-
Redemptions	-	-
Units issued – applications	1,855,964	-
Units issued – reinvestment of distributions	-	-
<b>Closing balance</b>	<u>1,855,964</u>	<u>0</u>

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

#### (b) Undistributed profit/(loss) attributable to unitholders

	2018	2017
	\$	\$
Opening balance	-	-
Operating profit/(loss) before finance costs attributable to unitholders	16,617	-
Distributions paid	-	-
Distributions payable	(16,617)	-
<b>Closing balance</b>	<u>0</u>	<u>0</u>

Withholding tax applicable to the distributions payable during the 2018 financial year was \$ Nil.

Total distributions payable for the financial year were \$16,617.

## AUSTRALIAN DIVERSIFIED INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### NOTE 6: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)

##### (c) Capital management

The Fund regards total unitholders' interests as its capital. The objective of the Fund is to provide unitholders with income distributions. The Fund aims to achieve this objective mainly through investing in a portfolio of loans to SPVs related to the investment manager of the Fund.

The Fund aims to invest to meet the Fund's investment objectives while maintaining sufficient liquidity to meet its commitments, including unitholder redemptions.

#### NOTE 7: PERFORMANCE FEES AND INVESTMENT MANAGEMENT FEES

The Investment Managers is entitled to the following fees (excluding GST):

- An investment management fee of 1.0% per annum of the Fund's gross asset value.
- A performance fee of 50% of the income above the Hurdle Income Return.

In addition, if there is excess performance in an SPV, the Investment Manager or its related entity which is the shareholder in the SPV is entitled to that excess performance by way of dividend or like return.

The Investment Manager has agreed to forego its fees, or part thereof, at all times where the expense of those fees may, in the Trustees discretion, reduce the Unit Price of the Fund to below \$1.00. The Investment Manager has also agreed to pay other fees and costs of the Fund until such time, in Trustee's discretion, as they are able to be paid from the assets of the Fund and may be reimbursed from the Fund for these payments.

#### NOTE 8: TRUSTEE AND ADMINISTRATION FEES

In accordance with the Information Memorandum (IM) of the Fund, the Trustee was entitled to receive a one-off establishment fee of \$14,500 (plus GST) and an annual fee for acting as trustee of the Fund. The Trustee is entitled to a fee equal to 0.10% per annum of the Fund's GAV, subject to a minimum fee of \$25,000 per annum. This fee is calculated and accrued monthly, payable to the Trustee in arrears. In addition, the Trustee also receives an arrears and default management fee of \$150 per hour for any arrears and default management activities undertaken. The Fund was established on 15 November 2017.

The Administration Manager is entitled to a fee of:

- \$20,000 where the Fund has gross assets of less than \$10 million and there are less than 25 unitholders
- \$25,000 where the Fund has gross assets greater than \$10 million or where there are 25 or more unitholders

Administration fees are calculated daily and payable monthly in arrears from acceptance of the first Investor into the Fund and subject to an annual increase of 4% on the 1st of January of each year. The first units were issued on 20 April 2018.

#### NOTE 9: OTHER ADMINISTRATION EXPENSES

	2018	2017
	\$	\$
Tax return fees	2,300	-
Bank fees	60	-
Other administration expenses	237	-
GST expense (non-claimable)	909	-
	<b>3,506</b>	<b>0</b>

## AUSTRALIAN DIVERSIFIED INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### NOTE 10: CASH FLOW INFORMATION

Reconciliation of cash flows from operating activities with profit/ (loss) for the year

	2018	2017
	\$	\$
Profit/(loss) for the year	16,617	-
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(1,534)	-
Increase/ (decrease) in payables	12,979	-
Cash flows from operating activities	<u>28,062</u>	<u>0</u>

#### NOTE 11: SUNDRY CREDITOR

As at 30 June 2018, the Fund has a balance of \$5,169, for professional fees to be paid to Russell Kennedy Lawyers on behalf of the borrower from the loan drawdown.

#### NOTE 12: RELATED PARTY TRANSACTIONS

##### (a) Trustee

The Trustee of the Australian Diversified Income Fund is Vasco Investment Managers Limited.

Fees of \$15,616 (plus GST) were accrued and paid by the Fund to Vasco Investment Managers Limited for its role as Trustee for the period, of which \$296 is claimable by the Fund as RITC.

##### (b) Investment Manager

The Investment Manager of the Australian Diversified Income Fund is Australian Diversified Income Pty Ltd.

As at 30 June 2018, a amount of \$3,343 has been deducted from the investment manager fees payable of \$3,056 leaving a deficit payable of \$287. Any deficit funds will be recovered prior to investment manager fees being paid to the Investment Manager. As a result, no fees were paid to the Investment Manager during the year.

##### (c) Administration Manager

The Administration Manager of the Australian Diversified Income Fund is Vasco Funds Management Pty Ltd.

Administration fees of \$3,945 (plus GST) were accrued and paid by the Fund to Vasco Funds Management Pty Ltd for its role as Administration Manager of the Fund, of which \$296 is claimable by the Fund as RITC.



## **AUSTRALIAN DIVERSIFIED INCOME FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

#### **NOTE 12: RELATED PARTY TRANSACTIONS (continued)**

##### **(d) Key management personnel**

The Fund does not employ personnel in its own right. However, it has an incorporated Trustee, Vasco Investment Managers Limited and an Investment Manager, Australian Diversified Income Pty Ltd, to manage the activities of the Fund. The directors of the Trustee and Investment Manager are key management personnel of those corporate entities. No compensation is paid directly by the Fund to directors or to any of the key management personnel of the Trustee or Investment Manager. Payments made by the Fund to the Trustee and Investment Manager do not specifically include any amounts attributable to the compensation of key management personnel.

#### **NOTE 13: REMUNERATION OF AUDITORS**

For the period ended 30 June 2018 the accounts of the Fund were not subject to audit and accordingly no audit fees were paid.

#### **NOTE 14: CONTINGENT LIABILITIES**

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

#### **NOTE 15: EVENTS SUBSEQUENT TO REPORTING DATE**

As at the date of this report, there have been no other events subsequent to the reporting date that require additional disclosure.

#### **NOTE 16: FINANCIAL RISK MANAGEMENT**

##### **(a) 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.

The Fund holds investments in property loans, which are not considered to be assets that are readily realisable.

In order to address this risk, the Trustee retains broad discretion to restrict distributions, withdrawals and/or redemptions.

## **AUSTRALIAN DIVERSIFIED INCOME FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

#### **NOTE 16: FINANCIAL RISK MANAGEMENT (continued)**

##### **(b) Credit risk**

Credit risk is the risk that a counterparty fails to discharge an obligation to the Fund. The Fund is exposed to this risk for various financial instruments, for example, placing money at financial institutions and through making loans. The Fund's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date.

The Investment Manager manages the exposure to credit risk on an ongoing basis.

#### **NOTE 17: TRUSTEE DETAILS**

The registered office and the principal place of business of the Trustee are:

Vasco Investment Managers Limited

Level 5

488 Bourke Street

Melbourne Victoria 3000

## AUSTRALIAN DIVERSIFIED INCOME FUND

### DIRECTORS' DECLARATION

The directors of Vasco Investment Managers Limited, the Trustee, have determined that the Fund is not a reporting entity and that these special purpose financial statements should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of Vasco Investment Managers Limited, the Trustee, declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the Fund's financial position as at 30 June 2018 and of its performance for the period ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors of Vasco Investment Managers Limited by:



**Craig Mathew Dunstan**

Director

10 September 2018