



IPO Wealth

IPO Wealth Fund

ABN 71 456 233 724

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2018

IPO WEALTH FUND

TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2018

The Directors of the Trustee, Vasco Investment Managers Limited, present their report on the IPO Wealth 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 Fund was established on 27 March 2017 to provide investors with an attractive target income return through loans made to related parties (Borrowers) of IPO Wealth Pty Ltd, the Fund's Investment Manager.

To date the Fund has entered into a single facility agreement with IPO Wealth Holdings Pty Ltd, as the Fund's only borrower.

3. Operating Results

The Net Operating Profit of the Fund for the financial year ending 30 June 2018 was \$1,805,823 (2017: \$3,989).

4. Review of Operations

During the period since inception the Fund issued 46,551,766 units. Of these 8,496,000 have been redeemed. A new Information Memorandum (IM) for the Fund was issued on 18 December 2017.

The Fund maintains a Capital Protection Reserve to protect the capital of investors from potential future capital losses. The Capital Protection Reserve was initially zero and will be built up over time from 100% of the performance fees generated until a reserve equivalent to a percentage of gross asset value of the Fund is achieved as follows:

- 10% of the gross asset value of the Fund where the gross asset value of the Fund is below \$20 million.
- 7.5% of the gross asset value of the Fund where gross asset value of the Fund is \$20 million or more but below \$50 million.
- 5% of the gross asset value of the Fund where gross asset value of the Fund is \$50 million or more

In FY 2018, \$405,537 was transferred to the Capital Protection Reserve from performance fees representing 1.24% of the Gross Asset Value of the Fund. A further \$117,785 (GST inclusive) was transferred to the Capital Protection Reserve for the June 2018 performance fee post year end.

As at 30 June 2018, a loan of \$32,700,000 has been made to IPO Wealth Holdings Pty Ltd (Borrower) a related entity of the Investment Manager. The minimum term of each drawdown of the loan is 6 months with a return of 10% per annum calculated and accrued daily and payable monthly in arrears.

IPO WEALTH FUND
TRUSTEE REPORT
FOR THE YEAR ENDED 30 JUNE 2018

4. Review of Operations (continued)

The monies are loaned so that the Borrower can provide finance to companies that meet their investment criteria. The loan is secured by a General Security Agreement with a Purchase Money Security Interest. Generally speaking, this provides security over all the presently acquired and future acquired property of the Borrower, plus provides a specific security over any assets purchased by the Borrower using the monies loaned.

The loan held by the Fund is monitored by the Investment Manager. This includes monitoring availability of income to support the provision of the target income returns and monitoring liquidity to allow for redemptions.

The Fund also aims to maintain a Cash Reserve equivalent to 10% of all money lent to the Borrowers in cash or cash equivalents to provide liquidity. As at 30 June 2018, the Cash Reserve is \$3,273,297. The Trustee has established a separate bank account to hold the Cash Reserve requirement with monthly transfers to or from the operations bank account to reflect the required holding. Cash held in the operations bank account is over and above the minimum requirement.

5. Review of Performance

Investment returns to unitholders have to date all been in accordance with the term sheets for each unit class.

6. Unit Redemption Prices

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

	2018	2017
At 30 June	\$1.00	\$1.00
High during year	\$1.00	\$1.00
Low during year	\$1.00	\$1.00

7. Distributions Paid or Recommended

Distributions are ordinarily payable within 5 business days of the end of each relevant period as stated in the term sheet for an investment option. The total distributions declared for the financial year was \$1,085,823 (2017: \$ 3,989)

8. Applications Held

At 30 June 2018, the value of pending applications was \$250,000.

9. Redemption Arrangements

As detailed in the Fund Constitution the Trustee is not under any obligation to buy back, purchase or redeem units from unitholders.

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.

IPO WEALTH 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 \$38,786,380 (2017: \$2,111,836). The Net Asset Value at the end of the reporting period was \$38,055,766 (2017: \$2,100,000).

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

Fees of \$29,387 (plus GST) were payable by the Fund to the Trustee for the period, of which \$1,616 is claimable by the Fund as RITC.

Fees of \$79,270 (plus GST) were payable by the Fund to the Administration Manager for the reporting period, of which \$5,945 is claimable by the Fund as RITC.

18. Units held by the Trustee, Investment Manager or Related Parties

At 30 June 2018, the Trustee and Investment Manager and their related parties held no units in the Fund.

IPO WEALTH FUND
TRUSTEE REPORT
FOR THE YEAR ENDED 30 JUNE 2018

19. Interests Issued in the Fund

During the financial year 44,451,766 units were issued, including units issued as a result of distributions reinvested.

20. Number of Interests on Issue

At 30 June 2018, the number of units on issue in the Fund was 38,055,766 (2017: 2,100,000)

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: 17 September 2018

IPO WEALTH FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	2017 \$
Revenue and other income			
Bank interest	2 (b)	61,247	901
Loan interest income	3 (a)	1,640,452	20,041
Reimbursement from IPO Wealth		-	5,982
Total revenue and other income		1,701,699	26,924
Expenses			
Performance fees	7	481,729	-
Trustee fees	8	29,387	7,260
Administration fees	8	79,270	4,542
Other administration expenses	9	25,490	11,133
Total expenses		615,876	22,935
Operating profit/(loss) before finance costs attributable to unitholders		1,085,823	3,989
Finance Cost attributable to unitholders			
Distributions to Unitholders Paid		548,277	-
Distributions to Unitholders Payable		537,546	3,989
Total Comprehensive Income		0	0

The accompanying notes form part of these financial statements

IPO WEALTH FUND

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2018 \$	2017 \$
Current assets			
Cash and cash equivalents	2 (a)	5,996,791	205,854
Accrued investment income	3 (a)	89,589	-
Sundry debtors	2 (c)	-	5,982
Total current assets		6,086,380	211,836
Non-current assets			
Investment assets	3 (b)	32,700,000	1,900,000
Total non-current assets		32,700,000	1,900,000
Total assets		38,786,380	2,111,836
Liabilities			
Fees payable	4	10,988	4,138
Administration expenses payable	5	(24,737)	1,876
Distributions payable		537,546	3,989
Trade Creditors		-	1,833
Performance fees payable		106,354	-
Withholding tax payable		463	-
Redemption payable		100,000	-
Total liabilities		730,614	11,836
Net assets		38,055,766	2,100,000
Represented by:			
Issued units	6 (a)	38,055,766	2,100,000
Undistributed profit/(loss) attributable to unitholders	6 (b)	-	-
Net assets attributable to unitholders		38,055,766	2,100,000

The accompanying notes form part of these financial statements

IPO WEALTH FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Bank interest		61,247	901
Loan interest received		1,550,863	20,041
Payment to suppliers		(529,285)	(15,088)
Sundry debtors		5,982	-
Trade creditors		(1,833)	-
Net cash provided by/(used in) operating activities	10	1,086,974	5,854
Cash flows from investing activities			
Payment for investment assets		(30,800,000)	(1,900,000)
Net cash provided by/ (used in) investing activities		(30,800,000)	(1,900,000)
Cash flows from financing activities			
Proceeds from units issue		36,055,766	2,100,000
Distribution paid		(551,803)	-
Net cash provided by/ (used in) financing activities		35,503,963	2,100,000
Net increase/ (decrease) in cash and cash equivalents		5,790,937	205,854
Cash and cash equivalents at the beginning of year		205,854	-
Cash and cash equivalents at the end of year	2 (a)	5,996,791	205,854

The accompanying notes form part of these financial statements

IPO WEALTH 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 year.

IPO WEALTH 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 IPO Wealth Fund ('the Fund') as an individual entity. The Fund is an unlisted, unregistered managed investment scheme structured as a unit trust. The Trustee of the Fund is Vasco Investment Managers Limited, and IPO Wealth 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 asset 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.

IPO WEALTH 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.

IPO WEALTH FUND

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

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Comparatives

As the IPO Wealth Fund commenced operations last financial year, comparative figures for the year ending 30 June 2017 are illustrated in the financial statement.

(f) 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.

NOTE 2: CASH AND CASH EQUIVALENTS

(a) Cash at bank

	2018	2017
	\$	\$
Macquarie Bank - Operations Account	2,723,494	205,854
Macquarie Bank - Cash Reserve Account	3,273,297	-
	5,996,791	205,854

The Trustee maintains a separate Capital Protection Reserve (CPR) account on trust for the Investment Manager which includes any performance fees paid for the financial year up to the agreed CPR amount (see Note 7). The value of cash in this account is \$405,537 as at 30 June 2018. The cash in this account does not form part of the assets of the Fund and may only be drawn upon by the Trustee to top up the Fund's assets pool in the event of any capital loss.

IPO WEALTH FUND

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

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

(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.

(c) Sundry Debtor

This was the reimbursement of expenses from IPO Wealth Pty Ltd to bring the net assets value of the Fund to \$1.00 as at 30 June 2017.

NOTE 3: INVESTMENT ASSETS

(a) Investment income

A return of 10% p.a. is payable on the amount invested. Investment interest is calculated and accrued daily and payable monthly in arrears on 20th day of each month.

(b) Investment held

As at 30 June 2018, the Fund held one asset, apart from cash, being a loan of \$32,700,000 to IPO Wealth Holding Pty Ltd.

NOTE 4: FEES PAYABLE

	2018	2017
	\$	\$
Trustee fees payable	3,188	2,055
Administration fees payable	7,800	2,083
	<u>10,988</u>	<u>4,138</u>

NOTE 5: ADMINISTRATION EXPENSES PAYABLE

	2018	2017
	\$	\$
Administration expenses payable	-	-
GST payable/(receivable)	(39,074)	(1,288)
Provision for tax return fees	2,300	2,500
Other accrued fees	12,037	664
	<u>(24,737)</u>	<u>1,876</u>

IPO WEALTH FUND

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

NOTE 6: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(a) Issued units

	2018	2017
Opening balance	2,100,000	-
Redemptions	(8,496,000)	-
Units issued – applications	44,417,186	2,100,000
Units issued – reinvestment of distributions	34,580	-
Closing balance	<u>38,055,766</u>	<u>2,100,000</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. The Fund has 21 different unit classes with differing maturity dates, distribution dates and target income returns.

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

	2018	2017
	\$	\$
Opening balance	-	-
Operating profit/(loss) before finance costs attributable to unitholders	1,085,823	3,989
Distributions paid	(547,814)	-
Distributions payable	(537,546)	(3,989)
Withholding tax payable	(463)	-
Closing balance	<u>0</u>	<u>0</u>

Withholding taxes applicable to the distributions payable during the 2018 financial year were \$463.

Total distributions paid and payable for the financial year were \$547,814 and \$537,546 respectively.

(c) Capital management

The Fund regards total unitholders' interests as capital. The objective of the Fund is to provide investors with a target income return through loans made to a related party (Borrower) of IPO Wealth Pty Ltd, the Fund's Investment Manager. The monies are loaned so that the Borrower can provide finance to companies that meet their investment criteria. To date the Fund has made a loan to IPO Wealth Holdings Pty Ltd.

The Fund aims to invest to meet the Fund's investment objectives while maintaining sufficient liquidity to meet its commitments, including unitholder redemptions. The Investment Manager regularly reviews the performance of the Fund, including asset allocation strategies, investment and risk management.

IPO WEALTH FUND

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

NOTE 7: PERFORMANCE FEES

In accordance with the IM of the Fund, The Investment Manager will be entitled to a performance fee calculated as at 30 June each year (and on termination of the Fund) as the net taxable income received from the Fund's investments, less all other fees and costs and less the payment of distributions to Investors up to the target income return. The Trustee will accrue the performance fee monthly based on all accrued income that may potentially result in net taxable income after the payment of distributions to Investors and all other fees and costs as a liability in the accounts of the Fund.

A capital protection reserve has been established to protect the capital of investors from future potential losses. The Capital Protection Reserve was initially zero and will be built up over time from 100% of the performance fees generated until a reserve equivalent to a percentage of gross asset value of the Fund is achieved as follows:

- 10% of the gross asset value of the Fund where the gross asset value of the Fund is below \$20 million
- 7.5% of the gross asset value of the Fund where gross asset value of the Fund is \$20 million or more but below \$50 million
- 5% of the gross asset value of the Fund where gross asset value of the Fund is \$50 million or more

The Capital Protection Reserve will be used to top up the Fund's asset pool in the event of any capital losses.

The Investment Manager is entitled to payment of the performance fee, subject to retention of the Capital Protection Reserve, by 30 September of each year or following completion of the Fund's annual accounts and tax return.

The Trustee maintains a separate Capital Protection Reserve (CPR) account on trust for the Investment Manager which includes any performance fees paid for the financial year up to the agreed CPR amount. The value of cash in this account was \$405,537 as at 30 June 2018. A further \$117,785 (GST inclusive) was transferred to the Capital Protection Reserve for the June 2018 performance fee post year end. The cash in this account does not form part of the assets of the Fund and may only be drawn upon by the Trustee to top up the Fund's assets pool in the event of any capital loss.

NOTE 8: TRUSTEE AND ADMINISTRATION FEES

In accordance with the IM of the Fund the Trustee is entitled to receive an annual fee equal to 0.10% per annum of Gross Asset Value in the Fund (plus GST), subject to a minimum annual fee of \$25,000 (plus GST). The trustee fee is calculated daily and is payable monthly in arrears from the execution of the Constitution. A one-off establishment fee of \$15,000 was paid to the Trustee on establishment of the Fund.

In accordance with the IM of the Fund the Administration Manager is entitled to a base administration fee (excluding GST) of \$30,000 per annum.

An arrears and default management fee of \$150 per hour for any arrears and default management activities.

In respect of additional Unit Classes issued beyond the first the following fees shall apply:

- \$5,000 for each of the first 9-unit classes beyond the first.
- \$1,000 for each of the next 10-unit classes.
- \$500 each per Unit Class thereafter

These fees are payable monthly in arrears from receipt of the first application to invest in the Fund and subject to an annual increase of 5% on the 1st of January of each year.

IPO WEALTH FUND

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

NOTE 9: OTHER ADMINISTRATION EXPENSES

	2018	2017
	\$	\$
Tax return fees	2,100	2,500
Establishment fees	1,864	7,433
Bank fees	-	30
Other administration expenses	5,082	281
GST expense (non-claimable)	15,639	889
Legal fees	805	-
	<u>25,490</u>	<u>11,133</u>

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	1,085,823	3,989
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(85,213)	(7,270)
Increase/ (decrease) in payables	86,364	9,135
Cash flows from operating activities	<u>1,086,974</u>	<u>5,854</u>

NOTE 11: RELATED PARTY TRANSACTIONS

(a) Trustee

The Trustee of the IPO Wealth Fund is Vasco Investment Managers Limited.

Fees of \$29,387 (plus GST) were accrued and paid by the Fund to Vasco Investment Managers Limited for its role as Trustee for the period, of which \$1,616 is claimable by the Fund as RITC.

(b) Investment Manager

The Investment Manager of the IPO Wealth Fund is IPO Wealth Pty Ltd.

The Investment Manager is entitled to receive the performance fee, subject to retention of the Capital Protection Reserve by 30 September of each year or following completion of the Fund's annual accounts tax return. As at 30 June 2018, \$481,729 is the total performance fee expense of the Fund.

The Trustee maintains a separate Capital Protection Reserve (CPR) account on trust for the Investment Manager which includes any performance fees paid for the financial year up to the agreed CPR amount (see Note 7). The value of cash in this account is \$405,537 as at 30 June 2018. The cash in this account does not form part of the assets of the Fund and may only be drawn upon by the Trustee to top up the Fund's assets pool in the event of any capital loss.

As at 30 June 2018 the Fund has made a loan of \$32,700,000 (2017: \$1,900,000) to IPO Wealth Holdings Pty Ltd a related party of the Investment Manager.

IPO WEALTH FUND

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

NOTE 11: RELATED PARTY TRANSACTIONS (Continued)

(c) Administration Manager

The Administration Manager is Vasco Funds Management Pty Ltd.

Administration fees of \$79,270 (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 \$5,945 is claimable by the Fund as RITC. Vasco Funds Management Pty Ltd is a related party of the Trustee.

(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, IPO Wealth 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 12: 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 13: CONTINGENT LIABILITIES

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

NOTE 14: 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 15: FINANCIAL RISK MANAGEMENT

Liquidity Risk

In order to address this risk, the Fund maintains a cash reserve equivalent to 10% of all money lent to borrowers in cash and cash equivalent assets. As at 30 June 2018, the Fund has a reserve of \$3,273,297 in the Cash Reserve Account.

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

IPO WEALTH FUND

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

NOTE 15: FINANCIAL RISK MANAGEMENT (Continued)

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 or interest revenue that is paid in arrears. The Fund's maximum exposure to credit risk is limited to the carrying amount of financial and loan assets recognized at the reporting date.

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

To date, the Fund has made a loan to single borrower IPO Wealth Holdings Pty Ltd.

The loan is secured by a General Security Agreement with a Purchase Money Security Interest. Generally speaking, this provides security over all the presently acquired and future acquired property of the Borrower, plus provides a specific security over any assets purchased by the Borrower using the monies loaned.

NOTE 16: 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

IPO WEALTH 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

17 September 2018