

RESIDENTIAL PROPERTY FUND

ARSN: 146 354 172

REPORT FOR THE YEAR ENDED
30 JUNE 2018

RESIDENTIAL PROPERTY FUND
ARSN: 146 354 172

RESPONSIBLE ENTITY REPORT
FOR THE YEAR ENDED 30 JUNE 2018

The Directors of the Responsible Entity, Vasco Investment Managers Limited, present their report on the Residential Property Fund ('the Fund') for the year ended 30 June 2018. In order comply with the provisions of the *Corporations Act 2001* the directors report as follows:

1. Directors

The names of Directors of the Responsible Entity 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 appointment of Vasco Investment Managers Limited as responsible entity of the Fund to the date of this report unless otherwise stated.

2. Principal Activities

The principal activities of the Fund are to invest over the longer term in completed residential real property. In February 2017, the Responsible Entity decided it was in the best interest of investors to sell the properties owned by the Fund in an orderly manner and to return monies to the investors who wished to redeem. Following the sale of the current properties the intention is for the Fund to invest in residential real estate securities.

The Fund was established on 21 September 2010 and issued the first units on the commencement date of 12 November 2010.

3. Operating Results

The operating loss of the Fund for the financial year ending 30 June 2018 was \$196,010 (2017: \$154,408).

4. Review of Operations

During the period since inception the Fund issued 3,625,660 units. Of these, 2,640,503 have been redeemed.

On 17 May 2018 the Responsible Entity entered into a contract for the sale of the apartment owned by the Fund in 3/33 Derby Street, Coorparoo, QLD 4151. The agreed selling price was \$260,000. Settlement of the property occurred on 18 June 2018. A withdrawal offer was made to unitholders following the sale of the property, with a total withdrawal amount of \$150,000 being made available.

As at 30 June 2018 the Fund owns an apartment in 4B/174 Forrest Parade, Rosebery, NT. The Responsible Entity is still seeking a buyer for the property. During the financial year, the Rosebery property was revalued with a decrease of \$50,000, with a new valuation of \$290,000. Following further market research at 30 June 2018 a further reduction of \$30,000 was processed to record the valuation at \$260,000. Valuation of the property is a Director's Valuation based upon market research and the views of the selling agent. A withdrawal offer will be made to unitholders following the sale of the property.

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5. Review of Performance

Unit Class	2018	2017	2016	2015
	%	%	%	%
Ordinary Units	-29.03	-19.48	-8.33	-14.63

6. Unit Redemption Prices

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

	2018	2017	2016	2015
	\$	\$	\$	\$
At 30 June	0.44	0.62	0.77	0.84
High during year	0.61	0.76	0.84	0.99
Low during year	0.44	0.62	0.77	0.84

The availability and timing of redemptions is subject to the terms of the Fund's Constitution. Further fees may apply upon redemption.

7. Distributions Paid or Recommended

No distributions were paid or recommended during the period.

8. Applications Held

At 30 June 2018, the value of pending applications was \$0.

9. Redemption Arrangements

As detailed in the Fund's Constitution the Responsible Entity is not under any obligation to buy back, purchase or redeem units from unitholders. A withdrawal offer was made to unitholders following the sale of the property, with a total withdrawal amount of \$150,000 being made available. Redemption requests were received by 30 June 2018 with payment being made following calculation of the 30 June 2018 unit price. Consequently, no units were redeemed by the Responsible Entity 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 Responsible Entity hold no options over interests in the Fund.

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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 Fund Assets

The Gross Asset Value of the Fund's assets at the end of the reporting period was \$484,611 (2017: \$681,008). The Net Asset Value at the end of the reporting period was \$448,432 (2017: \$644,442).

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 Reporting 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 which are not otherwise disclosed in this report.

16. Indemnifying Officers or Auditor

During or since the end of the financial year, the Responsible Entity has paid insurance premiums to insure each of the aforementioned directors as well as officers of the Responsible Entity 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 Responsible Entity, other than conduct involving a willful breach of duty in relation to the Responsible Entity.

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

The Responsible Entity has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify an officer or auditor of the Responsible Entity against a liability incurred as such an officer or auditor.

17. Fees, Commissions or Other Charges by the Responsible Entity, Investment Manager or Related Parties

Fees of \$55,000 (plus GST) were accrued and paid by the Fund to Vasco Investment Managers Limited as Responsible Entity for the period. In addition, fees of \$5,609 (plus GST) were accrued and paid by the Fund to Vasco Investment Managers Limited as Administration Manager.

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FOR THE YEAR ENDED 30 JUNE 2018**

18. Units held by the Responsible Entity or Related Parties

At 30 June 2018, the Responsible Entity and their related parties held no units in the Fund.

19. Interests Issued in the Fund

During the financial year no units were issued and no units were redeemed.

20. Number of Interests on Issue

At 30 June 2018, the number of units on issue in the Fund was 985,157. (2017: 985,157)

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.

22. Environmental Issues

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

23. Lead auditor's declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on the following page and forms part of the Responsible Entity's report for the year ended 30 June 2018.

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



Craig Mathew Dunstan
Director

Date: 18 September 2018

Auditor's Independence Declaration

To the Directors of Vasco Investment Managers Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Residential Property Fund for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner - Audit & Assurance

Melbourne, 18 September 2018

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**STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2018 \$	2017 \$
Revenue and other income			
Bank interest	2	225	1,112
Investment income	2	41,105	37,630
Total revenue and other income		<u>41,330</u>	<u>38,742</u>
Expenses			
Other administration expenses	3	5,052	4,212
Professional fees	4	38,179	38,176
Net loss in fair value of investment properties	7 (b)	80,000	64,000
Direct property expenses		23,500	25,062
Responsible Entity and administration fees		60,609	61,700
Loss on disposal of investment properties	7 (b)	30,000	-
Total expenses		<u>237,340</u>	<u>193,150</u>
Net loss before income tax		<u>(196,010)</u>	<u>(154,408)</u>
Income tax expense		<u>-</u>	<u>-</u>
Net loss attributed to unitholders		<u>(196,010)</u>	<u>(154,408)</u>
Total comprehensive income for the year attributable to unitholders		<u><u>(196,010)</u></u>	<u><u>(154,408)</u></u>

The accompanying notes form part of these financial statements

RESIDENTIAL PROPERTY FUND
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	2018 \$	2017 \$
Current assets			
Cash and cash equivalents	5	222,137	42,790
Trade and other receivables	6	1,263	4,151
Non-current assets classified as held for sale	7 (a)	260,000	630,000
Total current assets		483,400	676,941
Non-current assets			
Property, Plant & Equipment	8	1,211	4,067
Total non-current assets		1,211	4,067
Total assets		484,611	681,008
Liabilities			
Trade and other payables	9	8,628	5,994
Other liabilities	10	27,551	30,572
Total liabilities		36,179	36,566
Net assets		448,432	644,442
Equity			
Issued capital		1,223,533	1,223,533
Accumulated losses		(775,101)	(579,091)
Total equity		448,432	644,442

The accompanying notes form part of these financial statements

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Rent and other income		43,993	34,813
Bank interest income		225	1,112
Management fees paid		(77,184)	(61,986)
Other operating costs paid		(47,687)	(55,963)
Net cash used in operating activities	12	(80,653)	(82,024)
Cash flows from investing activities			
Proceeds from disposal of investment properties		260,000	-
Net cash provided by/ (used in) investing activities		260,000	-
Cash flows from financing activities			
Payments for units redeemed		-	(200,005)
Net cash used in financing activities		-	(200,005)
Net (decrease)/ increase in cash and cash equivalents		179,347	(282,029)
Cash and cash equivalents at the beginning of year		42,790	324,819
Cash and cash equivalents at the end of year	5	222,137	42,790

The accompanying notes form part of these financial statements

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

	Notes	Issued Capital \$	Revaluation Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2016		1,423,538	-	(424,683)	998,855
Issue of share capital		-	-	-	-
Redemptions		(200,005)	-	-	(200,005)
Total comprehensive income for the year		-	-	(154,408)	(154,408)
Balance at 30 June 2017	11 (a)	1,223,533	-	(579,091)	644,442
Balance at 1 July 2017		1,223,533	-	(579,091)	644,442
Issue of share capital		-	-	-	-
Redemptions		-	-	-	-
Total comprehensive income for the year		-	-	(196,010)	(196,010)
Balance at 30 June 2018	11 (a)	1,223,533	-	(775,101)	448,432

The accompanying notes form part of these financial statements

RESIDENTIAL PROPERTY FUND
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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 The Residential Property Fund ('the Fund') as an individual entity. The Fund is a registered managed investment Fund established and domiciled in Australia. The Responsible Entity and Investment Manager of the Fund is Vasco Investment Managers Limited.

Basis of Preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting interpretations) 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 and interpretations adopted by the International Accounting Standards Board.

For the purposes of preparing this financial report the entity is a for-profit entity.

The financial statements were approved by the Board of Directors of the Responsible Entity on 18 September 2018.

(b) Basis of measurement

The financial report is prepared on the historical cost basis except for the following material items in the statement of financial position:

Investment property is measured at fair value.

(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 the directors of the Responsible Entity to make judgements, 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.

Estimates and 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) Fair value estimation

Investment properties are carried at values that are based on assumptions and estimates. If any of these assumptions or estimates were not correct this could have a material impact on the carrying amounts in the statement of financial position.

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

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

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 measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable with external sources of data.

(ii) Categorisation

Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purpose.

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

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

(ii) Categorisation (continued)

Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of comprehensive income.

De-recognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for de-recognition in accordance with AASB 139. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(iii) Investment property

Investment property is property which is held to earn rental income, or for capital appreciation, or for both.

Investment properties are carried at fair value determined either by the directors or independent valuers. Changes to fair value are recorded in profit or loss. Investment properties are not depreciated.

The fair value of investment properties excludes any accrued operating lease income or lease incentives recognised as a receivable in accordance with AASB 117 *Leases*.

Property purchases are recognised when the Fund has entered into an unconditional purchase contract, and the majority of the significant risks and rewards of ownership have been transferred to the Fund. Property disposals are recorded when the Fund has entered into an unconditional sales contract, and the majority of the significant risks and rewards of ownership have been transferred to the buyer. Transfers of risks and rewards vary depending on the individual terms of the contracts.

(iv) Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. Non-current assets classified as held for sale are presented separately from the other assets in the statement of financial position.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, except for financial assets at fair value through profit or loss and investment properties which are carried at fair value. Changes to fair value are recorded in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

(v) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

(vi) Rental income

Rental income is recognised on an accruals basis, with rental income received in advance being deferred at the reporting date.

(vii) Interest income

Interest income and expense is recognised in the statement of comprehensive income as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other difference between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Interest income is recognised on a gross basis, including withholding tax, if any.

(viii) Expenses

All expenses, including management fees, are recognised in the statement of comprehensive income on an accrual basis.

(ix) Finance Cost

Distributions paid and payable on investor funds are recognised in the statement of comprehensive income as finance costs and as a liability where not paid. Distributions paid are included in cash flows from operating activities in the statement of cash flows.

(x) Unit prices

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

(xi) Distribution and taxation

Under current legislation, the Fund is not subject to income tax as the taxable income (including assessable realised capital gains) is distributed in full to the investors. The fund fully distributes its distributable income, calculated in accordance with the Fund constitution and applicable taxation legislation, to the unit-holders who are presently entitled to the income under the constitution.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

(xii) 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.

(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 Responsible Entity 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.

(e) Comparatives

As the Residential Property Fund commenced operations this financial year, there are comparative numbers for the year ending 30 June 2017.

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

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) New accounting standards and interpretations

The fund has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standard Board ("AASB") that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the Fund from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Fund.

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

Broadly, this new standard requires 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.

(ii) 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: REVENUE

	2018	2017
	\$	\$
Interest income	225	1,112
Rental income		
Unit 3 Coorparoo	15,039	3,441
Roseberry NT	26,066	34,189
	41,105	37,630

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 3: OTHER ADMINISTRATION EXPENSES

	2018	2017
	\$	\$
ASIC fees	1,240	988
Bank fees	73	(67)
Depreciation	2,856	2,856
Other administration expenses	883	435
	<u>5,052</u>	<u>4,212</u>

NOTE 4: PROFESSIONAL FEES

	2018	2017
	\$	\$
Accounting and audit fees	15,629	16,175
Custodian fees	22,000	22,001
Legal fees	550	-
	<u>38,179</u>	<u>38,176</u>

NOTE 5: CASH AND CASH EQUIVALENTS

Cash at bank

	2018	2017
	\$	\$
National Australia Bank	222,137	42,790
	<u>222,137</u>	<u>42,790</u>

NOTE 6: TRADE AND OTHER RECEIVABLES

	2018	2017
	\$	\$
Trade debtors	1,263	4,151
	<u>1,263</u>	<u>4,151</u>

NOTE 7: INVESTMENT ASSETS

(a) Investment held

Properties owned by the Fund

Residential 2018	Title	Acquisition date	Original purchase price (\$)	Latest valuation date	Valuation amount (\$)	Book value 30 June 2018 (\$)	Book value 30 June 2017 (\$)
Rosebery, NT	Freehold	28-Oct-13	359,000	30-Jun-18	260,000	260,000	340,000
Coorparoo, QLD	Freehold	28-Feb-11	284,500	17-May-18	260,000	-	290,000
			<u>643,500</u>			<u>260,000</u>	<u>630,000</u>

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 7: INVESTMENT ASSETS (continued)

(a) Investment held (continued)

The Coorparoo property was sold for \$260,000 via a sale of contract dated 17 May 2018. Settlement occurred on 18 June 2018.

The Rosebery, NT property is currently on the market for sale. The valuation is a Director's Valuation based upon market research and the views of the selling agent.

(b) Reconciliation of Investment held

	2018	2017
Property	\$	\$
Opening balance	630,000	694,000
Disposals	(260,000)	-
Fair value adjustments	(110,000)	(64,000)
Closing balance	<u>260,000</u>	<u>630,000</u>

The basis of the valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2018 valuations, which conform to Australian Valuation Standards, were based on assessments made by directors of the Responsible Entity.

The principal assumptions underlying directors' and independent valuers' estimation of fair value include those related to the amount of contractual rentals, void periods, maintenance and capital expenditure requirements, and appropriate discount rates. The expected future market rentals are based on current market rentals for similar properties in the same location and condition. Investment property comprises a number of residential properties that are leased to third parties, usually for a period of 12 months.

The Fund has no commitments for the refurbishment of investment properties at 30 June 2018 (2017: \$0).

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	\$	\$
Plant and equipment - at cost	14,340	14,340
Less: accumulated depreciation	(13,129)	(10,273)
	<u>1,211</u>	<u>4,067</u>

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

NOTE 9: TRADE AND OTHER PAYABLES

	2018	2017
	\$	\$
Trade payables	8,628	5,994
Closing balance	8,628	5,994

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTE 10: OTHER LIABILITIES

	2018	2017
	\$	\$
Accrued expenses	10,376	10,933
Accrued audit fees	16,995	16,995
Rent received in advance	180	2,644
	27,551	30,572

NOTE 11: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(a) Net assets attributable to unitholders

	2018	2017
	\$	\$
Opening balance	644,442	998,855
Redemptions	-	(200,005)
Loss for the period	(196,010)	(154,408)
Closing balance	448,432	644,442

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) Capital management

The Fund regards total unitholders' interests as capital. The objective of the Fund is to provide a diversified portfolio of quality Australian residential properties with the objective of providing capital growth and income over the long term.

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

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

NOTE 12: CASH FLOW INFORMATION

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

	2018	2017
	\$	\$
Loss for the year	(196,010)	(154,408)
Adjustments for:		
Loss on revaluation of investment properties	80,000	64,000
Loss on disposal of investment properties	30,000	-
Depreciation	2,856	2,856
Changes in assets and liabilities:		
(Decrease)/increase in payables	(387)	7,553
Decrease/(increase) in receivables	2,888	(2,025)
Cash flows from operating activities	<u>(80,653)</u>	<u>(82,024)</u>

NOTE 13: RELATED PARTY TRANSACTIONS

(a) Responsible Entity

The Responsible Entity of the Residential Property Fund is Vasco Investment Managers Limited.

Fees of \$55,000 (plus GST) were accrued and paid by the Fund to Vasco Investment Managers Limited for its role as Responsible Entity for the period.

(b) Investment Manager

The Investment Manager of the Residential Property Fund is Vasco Investment Managers Limited.

(c) Administration Manager

The Administration Manager of the Residential Property Fund is Vasco Investment Managers Limited.

Administration fees of \$5,609 (plus GST) were accrued and paid by the Fund to Vasco Investment Managers Limited for its role as Administration Manager of the Fund.

(d) Key management personnel

The Fund does not employ personnel in its own right. However, it has an incorporated Responsible Entity and Investment Manager, Vasco Investment Managers Limited, to manage the activities of the Fund. The directors of the Responsible Entity 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 Responsible Entity or Investment Manager. Payments made by the Fund to the Responsible Entity and Investment Manager do not specifically include any amounts attributable to the compensation of key management personnel.

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

NOTE 14: REMUNERATION OF AUDITORS

The auditor of the Fund is Grant Thornton Audit Pty Ltd. The fees that were paid or agreed to be paid by the Fund are disclosed below.

	2018	2017
	\$	\$
Audit services		
Audit of financial report	11,000	10,780
Other regulatory audit services	1,760	1,760
	12,760	12,540
Other services		
Taxation services	4,455	4,455
	4,455	4,455
	17,215	16,995

NOTE 15: CONTINGENT LIABILITIES

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

NOTE 16: 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 17: FINANCIAL RISK MANAGEMENT

(a) Market risk

The Fund is exposed to market risk through its use of financial instruments and specifically to interest rate risk and property value risk, which results from both its operating and investing activities. Market risk is the risk that changes in market prices which will affect the Fund's income. Market risk embodies the potential for both loss and gains. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Market risk is monitored by the Board of Directors.

(b) Property value risk

Investment properties form a significant part of the Fund's assets and are carried at fair value within the accounts. As a result, the statement of comprehensive income of the Fund is exposed to movements in property valuations, year on year. These movements are unrealized, until the point that an investment property is sold. The property market is closely monitored by the Board and the decision to buy or sell a property is closely related to the state of the property market and expectations of future rental yield. In addition, in depth due diligence is performed over a property before it is purchased and ongoing monitoring is undertaken as part of the compliance plan.

There are a number of uncertainties regarding the outlook for the Australian economy over the next few years. Certain property sectors are experiencing all-time highs in market prices. Should conditions deteriorate, decline in property values may result in losses should properties be held as security be realised below the loan and receivable book values.

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

NOTE 17: FINANCIAL RISK MANAGEMENT (continued)

(c) Interest rate risk

The Fund's interest rate risk is monitored by the Board of Directors. Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

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

	2018	2017
	\$	\$
Cash and cash equivalents	222,137	42,790
	<u>222,137</u>	<u>42,790</u>

Interest rate sensitivity

An increase or decrease of 100 basis points in interest rates as at the reporting date would have an insignificant effect on the net assets attributable to unitholders and operating results.

(d) Credit risk

Credit risk is the risk that 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 rental revenue that is paid in arrears. The Fund's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date, as summarized below:

	2018	2017
	\$	\$
Cash and cash equivalents	222,137	42,790
Trade and other receivables	1,263	4,151
	<u>223,400</u>	<u>46,941</u>

The Responsible Entity manages the exposure to credit risk on an ongoing basis.

The Fund's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

(e) Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's liquidity risk is monitored by the Board of Directors in accordance with the policies and procedures in place.

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

NOTE 17: FINANCIAL RISK MANAGEMENT (continued)

(e) Liquidity Risk (continued)

Current liabilities

	Carrying value	Contractual cash flows	0-6 Months	6 - 12 Months	1 - 2 Years	More than 2 years
	\$	\$	\$	\$	\$	\$
2018	36,180	36,180	36,180	-	-	-
2017	36,566	36,566	36,566	-	-	-

(f) Net fair values

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

	Carrying amount	2018 Net fair value	Carrying amount	2017 Net fair value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	222,137	222,137	42,790	42,790
Trade and other receivables	1,263	1,263	4,151	4,151
Assets held for sale	260,000	260,000	630,000	630,000
Total financial assets	483,400	483,400	676,941	676,941

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

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

NOTE 17: FINANCIAL RISK MANAGEMENT (continued)

(f) Net fair values (continued)

The three levels are defined on the observability of significant inputs to the measurement as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- **Level 3:** Unobservable inputs for the asset or liability

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2018 and 30 June 2017:

		Level 1	Level 2	Level 3	Total
Financial assets	2018	\$	\$	\$	\$
		-	-	260,000	260,000
		-	-	260,000	260,000
		Level 1	Level 2	Level 3	Total
Financial assets	2017	\$	\$	\$	\$
		-	-	630,000	630,000
		-	-	630,000	630,000

Fair value of the Fund's investment properties is estimated based on appraisals performed by independent, professionally qualified property valuers. The significant input and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors at each reporting date.

NOTE 18: RESPONSIBLE ENTITY DETAILS

The registered office and the principal place of business of the Responsible Entity are:

Vasco Investment Managers Limited

Level 5

488 Bourke Street

Melbourne Victoria 3000

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DIRECTORS' DECLARATION

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

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows, 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 year 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.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

18 September 2018

Independent Auditor's Report

To the Directors of Vasco Investment Managers Limited

Report on the audit of the financial report

We have audited the compliance plan of the Residential Property Fund ("the Fund") which was established by Vasco Investment Managers Limited as the responsible entity for the Fund for the financial year ended 30 June 2018. The compliance plan was approved by the Directors of the responsible entity on 22 October 2014 and lodged with the Australian Securities and Investment Commission on 10 July 2014.

Opinion

In our opinion, in all material respects:

- a Vasco Investment Managers Limited has complied with the compliance plan of Residential Property Fund for the financial year ended 30 June 2018; and
- b the compliance plan continues to meet the requirements of Part 5C.4 of the *Corporations Act 2001* as at that date.

Directors' Responsibility for the Compliance Plan

The Directors of the responsible entity are responsible for ensuring that the Fund's compliance plan meets the requirements of Section 601HA of the *Corporations Act 2001*, including that it sets out adequate measures that the responsible entity is to apply in operating the Fund to ensure compliance with the *Corporations Act 2001* and the Fund's constitution, and for complying with the compliance plan. These responsibilities are set out in Part 5C.2 of the *Corporations Act 2001*.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the responsible entity complied with the compliance plan during the financial year ended 30 June 2018 and the compliance plan continues to meet the requirements of Part 5C.4 of the *Corporations Act 2001* as at that date, in all material respects. We conducted our audit in accordance with Standards on Assurance Engagements ASAE 3100 *Compliance Engagements* issued by the Auditing and Assurance Standards Board. The Standards on Assurance Engagements require that we comply with relevant ethical requirements relating to assurance engagements and plan and perform the engagement to obtain reasonable assurance that the responsible entity complied with the compliance plan and the plan met the requirements of the *Corporations Act 2001*.

Our procedures included obtaining an understanding of the compliance plan and the compliance measures which it contains and examining, on a test basis, evidence supporting the operation of these measures. These procedures have been undertaken to form an opinion whether, in all material respects, the responsible entity has complied with the compliance plan during the financial year ended 30 June 2018, and the compliance plan continues to meet the requirements of part 5C.4 of the *Corporations Act 2001* as at that date.

Use of Report

This audit report has been prepared for Vasco Investment Managers Limited as the responsible entity of the Residential Property Fund in accordance with section 601HG of the *Corporations Act 2001*. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the responsible entity, or for any purpose other than that for which it was prepared.

Inherent Limitations

Because of the inherent limitations of any compliance measures, as documented in the compliance plan, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. An audit is not designed to detect all weaknesses in a compliance plan and the measures in the plan, as an audit is not performed continuously throughout the financial year and the audit procedures performed on the compliance plan and measures are undertaken on a test basis.

Any projection of the evaluation of the compliance plan to future periods is subject to the risk that the compliance measures in the plan may become inadequate because of changes in conditions or circumstances, or that the degree of compliance with them may deteriorate.

The audit opinion expressed in this report has been formed on the above basis.

Independence and Quality Control

In conducting our audit, we have complied with the independence and other relevant ethical requirements relating to assurance engagements and apply Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M J Climpson
Partner – Audit & Assurance

Melbourne, 18 September 2018