



IPO Wealth

IPO Wealth Fund

ABN 71 456 233 724

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2019

IPO WEALTH FUND
TRUSTEE REPORT
FOR THE YEAR ENDED 30 JUNE 2019

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 2019.

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, retired 2 July 2019) |
| Jonathan William Martin | (appointed 6 August 2009) |
| Reginald Bancroft | (appointed 2 July 2019) |

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 operating profit of the Fund for the financial year ending 30 June 2019 was \$4,252,576 (2018: \$1,805,823).

4. Review of Operations

During the period since inception the Fund issued 138,978,447 units. Of these 43,666,127 have been redeemed. A new Information Memorandum (IM) for the Fund was issued on 1 March 2019.

Vasco Funds Management Pty Limited, the Administration Manager, changed its name to Vasco Fund Services Pty Limited during the year. The Directors of the Administration Manager resolved to change the name to better reflect the activities of the company and also it is in line with industry convention. The ACN and other details remain unchanged.

The Fund maintains a Capital Protection Reserve to partially 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.

As at 30 June 2019, \$1,565,165 was in the Capital Protection Reserve bank account representing 1.6% of the Gross Asset Value of the Fund. A further \$214,010 (net after interest earned for June 2019 in the bank account) was transferred to the Capital Protection Reserve for the June 2019 performance fee post year end. The total Capital Protection Reserve as at 8 July 2019 was \$1,779,467 representing 1.82% of the Gross Asset Value of the Fund.

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4. Review of Operations (continued)

This was the partial settlement of performance fee for June 2019. An amount of \$51,157 will be transferred in August to meet the required balance of \$1,830,624 (including GST).

As at 30 June 2019, a loan of \$86,080,000 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 is calculated and accrued daily and is payable monthly in arrears.

The Fund maintained a Cash Reserve Account as at 30 June 2019 of \$8,608,000 to provide the Fund with additional liquidity. To meet the reserve requirement after an additional drawdown on 28 June 2019, a balance of \$190,792 was transferred on 04 July 2019.

5. Review of Performance

Investment returns to unitholders have been paid 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:

| | 2019 \$ | 2018 \$ |
|------------------|------------|------------|
| At 30 June | 1.00 | 1.00 |
| High during year | 1.00 | 1.00 |
| Low during year | 1.00 | 1.00 |

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 of the Fund issued on 1 March 2019, distributions are calculated and paid within 5 Business Days of the end of each month (Distribution Date). The Trustee retains its discretion under the Trust Deed to pay distributions within 30 Business Days of the end of each Distribution Date.

The total distributions declared for the financial year were \$4,252,576 (2018: \$1,085,823).

8. Applications Held

As at 30 June 2019, the value of pending unit allocations 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.

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TRUSTEE REPORT
FOR THE YEAR ENDED 30 JUNE 2019

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.

11. Proceedings on Behalf of the Fund

No person has applied to the court for leave to bring proceedings on behalf of the Fund, or to 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.

12. Value of Scheme Assets

The Gross Asset Value of the Fund's assets at the end of the reporting period was \$97,521,838 (2018: \$38,786,380). The Net Asset Value at the end of the reporting period was \$95,312,320 (2018: \$38,055,766).

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

As at the date of this report the Trustee has engaged an audit firm to audit the value of the portfolio of investments held by the borrower.

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

Fees of \$69,210 (plus GST) were accrued and paid by the Fund to the Trustee for the period. In addition, fees of \$107,587 (plus GST) were accrued and paid by the Fund to the Administration Manager.

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TRUSTEE REPORT
FOR THE YEAR ENDED 30 JUNE 2019

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

At 30 June 2019, the Trustee and Investment Manager and their related parties held no units in the Fund.

19. Interests Issued in the Fund

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Opening Unit Balance | 38,055,766 | 2,100,000 |
| Units issued - applications | 92,063,119 | 44,417,186 |
| Units issued – reinvestment of distributions | 1,013,562 | 34,580 |
| Units redeemed | (35,820,127) | (8,496,000) |
| Closing Unit Balance | 95,312,320 | 38,055,766 |

20. Number of Interests on Issue

As at 30 June 2019, the number of units on issue in the Fund was 95,312,320 (2018: 38,055,766).

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 Issues

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

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



Craig Mathew Dunstan

Director

Date: 31 July 2019

IPO WEALTH FUND

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

| | Notes | 2019 \$ | 2018 \$ |
|---|--------|------------------|------------------|
| Revenue and other income | | | |
| Bank interest | 2 (a) | 135,888 | 61,247 |
| Loan interest income | 2 (b) | 5,791,437 | 1,640,452 |
| Total revenue and other income | | 5,927,325 | 1,701,699 |
| Expenses | | | |
| Performance fees | 3 | 1,414,979 | 481,729 |
| Trustee fees | 4 | 69,210 | 29,387 |
| Administration fees | 4 | 107,587 | 79,270 |
| Other expenses | 5 | 98,723 | 25,490 |
| Total expenses | | 1,690,449 | 615,876 |
| Net profit before finance cost/income | | 4,236,826 | 1,085,823 |
| Other income | 6 | 15,750 | - |
| Net profit attributed to unitholders | | 4,252,576 | 1,085,823 |
| Distributions to unitholders paid | 12 (b) | 3,754,585 | 548,277 |
| Distributions to unitholders payable | 12 (b) | 497,991 | 537,546 |
| Total comprehensive income for the year attributable to unitholders net of distributions | | - | - |

The accompanying notes form part of these financial statements

IPO WEALTH FUND

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

| | Notes | 2019 \$ | 2018 \$ |
|---|--------|-------------------|-------------------|
| Current assets | | | |
| Cash and cash equivalents | 7 (a) | 11,206,370 | 5,996,791 |
| Accrued investment income | 7 (b) | 232,000 | 89,589 |
| Prepaid establishment costs | 8 | 3,650 | - |
| Less: amortisation | 8 | (182) | - |
| Total current assets | | 11,441,838 | 6,086,380 |
| Non-current assets | | | |
| Investment assets | 9 | 86,080,000 | 32,700,000 |
| Total non-current assets | | 86,080,000 | 32,700,000 |
| Total assets | | 97,521,838 | 38,786,380 |
| Liabilities | | | |
| Fees payable | 10 | 1,672,220 | 117,342 |
| Other expenses payable | 11 | 39,307 | (24,737) |
| Distributions payable | 12 (b) | 496,922 | 537,546 |
| Withholding tax payable | 12 (b) | 1,069 | 463 |
| Redemption payable | | - | 100,000 |
| Total liabilities | | 2,209,518 | 730,614 |
| Net assets | | 95,312,320 | 38,055,766 |
| Represented by: | | | |
| Issued units | 12 (a) | 95,312,320 | 38,055,766 |
| Undistributed profit/(loss) attributable to unitholders | 12 (b) | - | - |
| Net assets attributable to unitholders | | 95,312,320 | 38,055,766 |

The accompanying notes form part of these financial statements

IPO WEALTH FUND

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

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.

IPO WEALTH FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

| | Notes | 2019 \$ | 2018 \$ |
|---|-------|--------------------------|-------------------------|
| Cash flows from operating activities | | | |
| Bank interest | | 135,888 | 61,247 |
| Loan interest received | | 5,649,026 | 1,550,863 |
| Payment to suppliers | | (75,045) | (529,285) |
| Sundry debtors | | - | 5,982 |
| Trade creditors | | - | (1,833) |
| Early redemption fee realised | | 15,750 | - |
| Net cash provided by/(used in) operating activities | | <u>5,725,619</u> | <u>1,086,974</u> |
| Cash flows from investing activities | | | |
| Payment for investment assets | | (53,380,000) | (30,800,000) |
| Net cash provided by/ (used in) investing activities | | <u>(53,380,000)</u> | <u>(30,800,000)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of units | | 57,156,554 | 36,055,766 |
| Distributions paid | | (4,292,594) | (551,803) |
| Net cash provided by/ (used in) financing activities | | <u>52,863,960</u> | <u>35,503,963</u> |
| Net increase/ (decrease) in cash and cash equivalents | | 5,209,579 | 5,790,937 |
| Cash and cash equivalents at the beginning of year | | 5,996,791 | 205,854 |
| Cash and cash equivalents at the end of year | 7 (a) | <u><u>11,206,370</u></u> | <u><u>5,996,791</u></u> |

The accompanying notes form part of these financial statements

IPO WEALTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Preparation

(a) Statement of compliance

The Fund has elected to adopt the Australian Accounting Standards – Reduced Disclosure Requirements (established by AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*).

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001*. IPO Wealth Fund is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were approved by the Board of Directors of the Trustee on 31 July 2019.

(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 assets are 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 Trustee to undertake a number of judgements, estimates and assumptions about the recognition and measurement 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.

IPO WEALTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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 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 estimated 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.

(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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(e) Comparatives

As the IPO Wealth Fund commenced operations in March 2017, there are comparative numbers for the year ending 30 June 2018.

(f) New accounting standards and interpretations

A number of new accounting standards and interpretation have been published, and are mandatory for the 30 June 2019 reporting period, having come into effect on the 1 January 2018:

(i) AASB9 Financial Instruments

Broadly, this standard requires all financial instruments to be measured at fair value unless the criteria for amortised cost are met.

The introduction of the standard has not changed the measurement basis of any of the Fund's current financial instruments.

(ii) AASB 15: Revenue from contracts with customers

Broadly, this 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 pending standards that are relevant to the Fund in the current or future reporting periods as at the issue date of this report.

IPO WEALTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 2: REVENUE

The Funds revenue may be analysed under the following categories

(a) Bank interest

| | 2019 | 2018 |
|---------------|----------------|---------------|
| | \$ | \$ |
| Bank interest | 135,888 | 61,247 |
| | 135,888 | 61,247 |

Cash on deposit is held in a Macquarie Bank cash management account (AUD). The interest rate paid by Macquarie to 6 June 2019 was 1.30% p.a paid monthly on balances greater than \$5,000. From 7 June 2019 the interest rate has been 1.05%. The Fund has been able to obtain a higher return from Macquarie, amounting to an extra 0.25% pa.

(b) Loan interest income

| | 2019 | 2018 |
|-----------------------------|------------------|------------------|
| | \$ | \$ |
| IPO Wealth Holdings Pty Ltd | 5,791,437 | 1,640,452 |
| | 5,791,437 | 1,640,452 |

NOTE 3: PERFORMANCE FEES

| | 2019 | 2018 |
|------------------|------------------|----------------|
| | \$ | \$ |
| Performance fees | 1,414,979 | 481,729 |
| | 1,414,979 | 481,729 |

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 partially 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

IPO WEALTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 3: PERFORMANCE FEES (continued)

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.

NOTE 4: TRUSTEE AND ADMINISTRATION FEES

| | 2019 | 2018 |
|---------------------|----------------|----------------|
| | \$ | \$ |
| Trustee fees | 69,210 | 29,387 |
| Administration fees | 107,587 | 79,270 |
| | 176,797 | 108,657 |

In accordance with the IM of the Fund the Trustee is entitled to receive an annual fee equal to 0.10% of GAV (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.

In accordance with the IM (dated: 1 March 2019) of the Fund the Administration Manager is entitled to an annual administration fee (excluding GST) of \$48,825, plus fees for additional unit classes as mentioned below:

- \$5,513 for each of the first 9 units classes beyond the first
- \$1,103 for each of the next 10 units classes
- \$551 each per unit class thereafter.
- \$150 for ad-hoc application processing on the request of the Investment Manager

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

NOTE 5: OTHER EXPENSES

| | 2019 | 2018 |
|-------------------------------|---------------|---------------|
| | \$ | \$ |
| Tax return fees | 2,300 | 2,100 |
| Establishment costs | 182 | 1,864 |
| Bank fees | 90 | - |
| Other administration expenses | 26,481 | 5,082 |
| GST expense (non-claimable) | 49,948 | 15,639 |
| Legal fees | 19,722 | 805 |
| | 98,723 | 25,490 |

IPO WEALTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 6: OTHER INCOME

| | 2019 | 2018 |
|-----------------------|---------------|----------|
| | \$ | \$ |
| Early redemption fees | 15,750 | - |
| | <u>15,750</u> | <u>-</u> |

NOTE 7: CASH AND CASH EQUIVALENTS

(a) Cash at bank

| | 2019 | 2018 |
|---|-------------------|------------------|
| | \$ | \$ |
| Macquarie Bank - Operations Account | 1,225,704 | 2,723,494 |
| Macquarie Bank - Cash Reserve Account | 8,415,501 | 3,273,297 |
| Macquarie Bank - Capital Protection Reserve | 1,565,165 | - |
| | <u>11,206,370</u> | <u>5,996,791</u> |

(b) Investment Income

| | 2019 | 2018 |
|-----------------------------|----------------|---------------|
| | \$ | \$ |
| Investment income due | 5,791,437 | 1,640,452 |
| Less: income received | (5,559,437) | (1,550,863) |
| Total income payable | <u>232,000</u> | <u>89,589</u> |

NOTE 8: PREPAID EXPENSES AND AMORTISATION

The Trustee and the Investment Manager are entitled to be reimbursed out of the assets of the Fund for costs properly incurred in establishing the IPO Wealth Fund (including any GST on such expenses). The establishment cost is amortised over 5 years.

| | 2019 | 2018 |
|-----------------------------|--------------|----------|
| | \$ | \$ |
| Prepaid establishment costs | 3,650 | - |
| Less: amortisation | (182) | - |
| | <u>3,468</u> | <u>-</u> |

NOTE 9: INVESTMENTS

As at 30 June 2019 the Fund's investment comprised of:

| | 2019 | 2018 |
|--------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Loan to IPO Wealth Holdings Pty Ltd. | 86,080,000 | 32,700,000 |
| | <u>86,080,000</u> | <u>32,700,000</u> |

IPO WEALTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 10: FEES PAYABLE

| | 2019 | 2018 |
|-----------------------------|------------------|----------------|
| | \$ | \$ |
| Trustee fees payable | 8,016 | 3,188 |
| Administration fees payable | - | 7,800 |
| Performance fees payable | 1,664,204 | 106,354 |
| | <u>1,672,220</u> | <u>117,342</u> |

NOTE 11: OTHER EXPENSES PAYABLE

| | 2019 | 2018 |
|----------------------------------|---------------|-----------------|
| | \$ | \$ |
| RITC receivable | (130,639) | (39,074) |
| Provision for tax and audit fees | 2,300 | 2,300 |
| Other accrued expenses | 167,646 | 12,037 |
| | <u>39,307</u> | <u>(24,737)</u> |

NOTE 12: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(a) Issued units in \$

| | 2019 | 2018 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Opening balance | 38,055,766 | 2,100,000 |
| Redemptions | (35,820,127) | (8,496,000) |
| Units issued – applications | 92,063,119 | 44,417,186 |
| Units issued – reinvestment of distributions | 1,013,562 | 34,580 |
| Closing balance | <u>95,312,320</u> | <u>38,055,766</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

| | 2019 | 2018 |
|---|-------------|-----------|
| | \$ | \$ |
| Opening balance | - | - |
| Net operating profit/(loss) attributable to unitholders | 4,236,826 | 1,085,823 |
| Other comprehensive income | 15,750 | - |
| Distributions paid | (3,754,585) | (547,814) |
| Distributions payable | (496,922) | (537,546) |
| Withholding tax payable | (1,069) | (463) |
| Closing balance | <u>-</u> | <u>-</u> |

Withholding taxes as at the end of financial year 2019 were \$1,069. Total distributions payable for the financial year were \$496,922.

IPO WEALTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 12: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)

(c) Capital management

The Fund regards total equity 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.

NOTE 13: RELATED PARTY TRANSACTIONS

The Fund's related parties include those described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

(a) Trustee

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

Fees of \$69,210 (plus GST) were accrued and paid by the Fund to Vasco Investment Managers Limited for its role as Trustee for the period, of which \$3,807 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 2019, \$1,664,204 (plus GST) is the total performance fee expense of the Fund, of which \$124,815 is claimable by the Fund as RITC.

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 3). The value of cash in this account is \$529,422 as at 30 June 2019. 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 asset pool in the event of any capital loss.

As at 30 June 2019 the Fund has made a loan of \$86,080,000 (2018: \$32,700,000) to IPO Wealth Holdings Pty Ltd a related party of the Investment Manager.

(c) Administration Manager

The Administration Manager of the IPO Wealth Fund is Vasco Fund Services Pty Limited.

Vasco Funds Management Pty Limited, the Administration Manager, changed its name to Vasco Fund Services Pty Limited during the year. The Directors of the Administration Manager resolved to change the name to better reflect the activities of the company and also it is in line with industry convention. The ACN and other details remain unchanged.

Administration fees of \$107,587 (plus GST) were accrued and paid by the Fund to Vasco Fund Services Pty Limited for its role as Administration Manager of the Fund, of which \$8,069 is claimable by the Fund as RITC.

Vasco Fund Services Pty Limited is a related party of the Trustee.

IPO WEALTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 13: 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, 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 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 events subsequent to the reporting date that require additional disclosure.

NOTE 16: FINANCIAL RISK MANAGEMENT

(a) 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 2019, the Fund has a reserve of \$8,415,501 in the Cash Reserve Account. An additional investment was made on 28 June 2019 thus to meet the additional cash reserve requirement \$190,792 was transferred on 4 July 2019.

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

(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 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 a single borrower IPO Wealth Holdings Pty Ltd, a related party of the Investment Manager.

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.

To date the borrower has utilised the Funds to pay for the business operating costs of the Borrower and related companies and to make a range of private equity investments.

IPO WEALTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

IPO WEALTH FUND

DIRECTORS' DECLARATION

In the opinion of the Directors of Vasco Investment Managers Limited:

- (a) The financial statements and notes of IPO Wealth Fund are in accordance with the *Corporations Act 2001*, including
 - (i) Giving a true and fair view of its financial position as at 30 June 2019 and its performance for this financial year ended on that date; and
 - (ii) Complying with Australian Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that IPO Wealth Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

A handwritten signature in blue ink, appearing to read 'Craig Mathew Dunstan', with a long horizontal flourish extending to the right.

Craig Mathew Dunstan

Director

31 July 2019