



**ACIF PRIORITY FUND
PROPERTY AND LOAN UNIT CLASS**

ABN 82 467 159 782

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2019

**ACIF PRIORITY FUND
PROPERTY AND LOAN UNIT CLASS
TRUSTEE REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

The Directors of the Trustee, Vasco Investment Managers Limited present their report on ACIF Priority Fund Property and Loan Unit Class ('the Fund') for the year ended 30 June 2019. This report is for the Property and Loan Unit Class only.

1. Directors

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

Craig Mathew Dunstan	(appointed 6 August 2009)
Fiona Jean Dunstan	(appointed 6 August 2009)
Stephen George Hawkins	(appointed 10 May 2009, 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 principal activities of the ACIF Priority Fund are to allow investors the opportunity to participate in an established investment vehicle that will invest in mezzanine finance loans and other real estate related investments and infrastructure investments. The Property and Loan Unit Class provides mezzanine loans to developers whilst allowing investors to utilize redemption proceeds of their investment against the settlement of a property acquisition.

The ACIF Priority Fund has five unit classes. The Property and Loan Unit Class is one of the unit classes. The four other unit classes are listed below:

1. Infrastructure Performance Unit Class
2. Income Unit Class
3. Wallaroo Infrastructure Unit Class
4. Lucky Bay Infrastructure Unit Class

The ACIF Priority Fund was established on 1 April 2016 and issued the first units in the Property and Loan Unit Class on the commencement date of 24 August 2016.

3. Operating Results

The operating profit of the Fund for the financial year ending 30 June 2019 was \$461,820 (2018: \$479,556).

4. Review of Operations

During the period since inception the Fund has issued 5,250,000 units of which none have resulted from the reinvestment of distributions. A redemption of 350,000 units has occurred since inception of the Fund.

During the financial year no units have been issued.

The Fund currently holds three investment loans with Caydon Finance Pty Ltd. Since 29 April 2019, two loans amounting to a total of \$1,746,000 have been in default. The default interest rate of 12.25% p.a. has been accrued from 30 April 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.

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4. Review of Operations (continued)

As at 30 June 2019 the Fund's investments were comprised of the following:

Investment	Value \$
Caydon Investment Loans	4,171,000
Unitholding in Dovetail 009 Trust	600,000
Total	4,771,000

5. Review of Performance

Unit Class	2019 % p.a.	2018 % p.a.	2017 % p.a.
Ordinary units	10.00	9.79	4.15

6. Unit Redemption Prices

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

	2019 \$	2018 \$
At 30 June	1.0000	1.0000
High during year	1.0000	1.0000
Low during year	1.0000	1.0000

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, distributions are calculated and accrued on a daily basis and are paid on an annual basis at the end of the financial year.

The following distributions are payable for the period to 30 June 2019:

Period	Distribution Payable (CPU day)
1 July 2018 – 30 June 2019	0.02733

The total distributions declared for the financial year were \$488,820 (2018: \$479,556)

The nominal distributable amount payable to unitholders at the end of each financial year, net of withholding tax, will be reinvested in the Fund as a 'Loan from Unitholders'. This amount will be repaid at the repayment date of the one of the loans to the Borrower, or at the end of the Term of the Fund.

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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. Consequently, no units were redeemed by the Trustee during the reporting period.

Although the Fund's Constitution permits the withdrawal or redemption of units in the Fund at the discretion of the Trustee, the Trustee does not currently intend to permit investors to voluntarily withdraw any amount from the Fund during the Term. Withdrawals pursuant to a payment direction associated with the purchase of a property will be allowed.

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 \$6,182,867 (2018: \$5,747,469). The Net Asset Value at the end of the reporting period was \$4,900,000 (2018: \$4,927,000).

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 which are not otherwise disclosed in this report.

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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

A loan management fee of 3% per annum calculated on the Facility Limit is payable semi-annually in arrears for each loan to the Fund for the role of financier. The Investment Manager will receive the loan management income directly and the investment management fees payable by the Fund will be offset by this amount.

The Investment Manager is responsible for the payment of the trustee fees and administration manager fees.

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

As at 30 June 2019, the Investment Manager and their related parties held 900,000 units in the Fund.

19. Interests Issued in the Fund

	2019	2018
Opening Unit Balance	4,900,000	5,250,000
Units redeemed	-	(350,000)
Closing Unit Balance	4,900,000	4,900,000

20. Number of Interests on Issue

As at 30 June 2019, the number of units on issue in the Fund was 4,900,000 (2018: 4,900,000).

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.

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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:

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

Craig Mathew Dunstan

Director

Date: 9 August 2019

**ACIF PRIORITY FUND
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**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)	1,159	3,949
Loan management fees	2 (b)	125,130	135,315
Loan interest income	2 (c)	433,459	460,134
Distribution income	2 (d)	84,000	64,899
Total revenue and other income		643,748	691,297
Expenses			
Investment manager fees	3	177,223	173,152
Other expenses	5	4,705	11,589
Total expenses		181,928	184,741
Net profit attributed to unitholders		461,820	479,556
Other comprehensive income			
Dovetail referral fees		-	27,000
Total other comprehensive income		-	27,000
Distribution expense		488,820	479,556
Total comprehensive income for the year attributable to unitholders net of distributions		(27,000)	27,000

The accompanying notes form part of these financial statements

**ACIF PRIORITY FUND
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**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	Notes	2019 \$	2018 \$
Current assets			
Cash and cash equivalents	6 (a)	50,598	122,475
Accrued loan management fees	6 (b)	125,130	135,315
Total current assets		175,728	257,790
Non-current assets			
Investment assets	7 (a)	4,771,000	4,771,000
Accrued distribution income	7 (b)	148,899	64,898
Accrued loan interest	7 (c)	1,087,240	653,781
Total non-current assets		6,007,139	5,489,679
Total assets		6,182,867	5,747,469
Liabilities			
Fees payable	8	202,347	160,440
Other expenses payable	9	8,292	6,721
Loan from unitholders	10	583,408	173,752
Distributions payable	11 (b)	488,820	479,556
Total liabilities		1,282,867	820,469
Net assets		4,900,000	4,927,000
Represented by:			
Issued units	11 (a)	4,900,000	4,900,000
Undistributed profit/(loss) attributable to unitholders	11 (b)	-	27,000
Net assets attributable to unitholders		4,900,000	4,927,000

The accompanying notes form part of these financial statements

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**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.

**ACIF PRIORITY FUND
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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Payment to suppliers		(3,300)	(25,681)
Bank interest received		1,159	3,949
Investment income received		-	79,818
Tax paid		(42,291)	(22,784)
Other fees paid		-	(153)
Net cash provided by/(used in) operating activities		<u>(44,432)</u>	<u>35,149</u>
Cash flows from investing activities			
Payment for investment assets		-	(600,000)
Proceeds from sale of investment assets		-	339,500
Net cash provided by/(used in) investing activities		<u>-</u>	<u>(260,500)</u>
Cash flows from financing activities			
Redemption of units		(27,445)	(350,000)
Distributions paid		-	(13,708)
Net cash provided by/(used in) financing activities		<u>(27,445)</u>	<u>(363,708)</u>
Net increase/ (decrease) in cash and cash equivalents		(71,877)	(589,059)
Cash and cash equivalents at the beginning of year		122,475	711,534
Cash and cash equivalents at the end of year	6 (a)	<u><u>50,598</u></u>	<u><u>122,475</u></u>

The accompanying notes form part of these financial statements

**ACIF PRIORITY FUND
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**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 ACIF Priority Fund Property and Loan Unit Class ('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 Australia China Investment Fund 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*. ACIF Priority Fund Property and Loan Unit Class 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 9 August 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.

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**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 ACIF Priority Fund Property and Loan Unit Class commenced operations in August 2016, 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.

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**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 2: REVENUE

The Funds revenue may be analysed under the following categories

(a) Bank interest

	2019	2018
	\$	\$
Bank interest	1,159	3,949
	<u>1,159</u>	<u>3,949</u>

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% p.a.

(b) Loan management fees

	2019	2018
	\$	\$
Caydon investment loan management fees	125,130	135,315
	<u>125,130</u>	<u>135,315</u>

The Fund, as the loan financier to Caydon will receive a loan management fee of 3% per annum calculated on the Facility Limit and payable within 6 months in arrears for each loan. The Trustee has agreed the Investment Manager will receive the loan management fee directly and the investment management fees payable by the Fund will be offset by this amount.

(c) Loan interest income

	2019	2018
	\$	\$
Caydon investment loan	433,459	460,134
	<u>433,459</u>	<u>460,134</u>

The Fund, as the loan financier to Caydon will receive 10.25% per annum calculated on the Facility Limit which is payable at the end of each loan term. Since 29 April 2019, two loans amounting to a total of \$1,746,000 have been in default. The default interest rate of 12.25% p.a. has been accrued from 30 April 2019.

**ACIF PRIORITY FUND
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**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 2: REVENUE (continued)

(d) Distribution income

	2019	2018
	\$	\$
Investment in Dovetail 009 Unit Trust		
The investment term is 24 months commencing from 22 September 2017, which may be extended by up to a further 12 months by written notice. The coupon rate for this investment is 14% per annum and is payable when the units are redeemed.	84,000	64,899
	<u>84,000</u>	<u>64,899</u>

NOTE 3: INVESTMENT MANAGER FEES

	2019	2018
	\$	\$
Investment manager fees	177,223	173,152
	<u>177,223</u>	<u>173,152</u>

The Investment Manager is entitled to an investment manager fee of up to 3% of the Fund's GAV (plus GST) per annum paid semi-annually in arrears. The Investment Manager has agreed to accept the loan management fee directly from Caydon Finance to offset the investment management fees payable.

NOTE 4: TRUSTEE AND ADMINISTRATION FEES

In accordance with the Information Memorandum of the Fund, the Trustee is entitled to an annual fee of 0.1% (plus GST) of the gross asset value of the Fund, paid monthly in arrears, subject to a minimum fee of \$22,500 (plus GST).

The Administration Manager of the Fund is entitled an annual administration fee of up to \$57,927 (plus GST). This fee is subject to an annual increase of 3% on 1 January each year.

The trustee and administration fees for the Fund are allocated between the unit classes based on the respective GAV of each unit class.

All fees which the Trustee and Administration Manager are entitled to shall be paid by the Investment Manager from the fees it receives. Only where the Investment Manager fails to pay the Trustee shall the Trustee be entitled to recover its fees from the Fund.

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**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5: OTHER EXPENSES

	2019	2018
	\$	\$
Other administration expenses	-	280
Tax return fees	3,500	6,700
GST expense (non-claimable)	1,205	4,489
Bank fees	-	120
	<u>4,705</u>	<u>11,589</u>

NOTE 6: CASH AND CASH EQUIVALENTS

(a) Cash at bank

	2019	2018
	\$	\$
Macquarie Bank	50,598	122,475
	<u>50,598</u>	<u>122,475</u>

(b) Accrued loan management fees

	2019	2018
	\$	\$
Caydon investment loan	260,445	135,315
Less management fees received	(135,315)	-
Total accrued management fees	<u>125,130</u>	<u>135,315</u>

NOTE 7: INVESTMENTS

(a) Available for sale investments

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

	2019	2018
	\$	\$
Investment in Caydon Loan	4,171,000	4,171,000
Investment in Dovetail 009 Unit Trust	600,000	600,000
	<u>4,771,000</u>	<u>4,771,000</u>

The Fund holds a total of three investment loans to Caydon Finance Pty Ltd. The maturity date for two of the loans was 29 April 2019. The maturity date for the final loan is 19 December 2019.

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**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 7: INVESTMENTS (continued)

(b) Accrued distribution income

	2019	2018
	\$	\$
Investment in Dovetail 009 Unit Trust		
The investment term is 24 months commencing from 22 September 2017, which may be extended by up to a further 12 months by written notice. The coupon rate for this investment is 14% per annum and is payable when the units are redeemed.	148,899	64,899
	<u>148,899</u>	<u>64,899</u>
Less distributions received	-	-
Total accrued distributions	<u>148,899</u>	<u>64,899</u>

(c) Accrued loan interest

	2019	2018
	\$	\$
Caydon investment loan	1,087,240	653,781
	<u>1,087,240</u>	<u>653,781</u>

Since 29 April 2019, two loans amounting to a total of \$1,746,000 have been in default. The default interest rate of 12.25% p.a. has been accrued from 30 April 2019.

NOTE 8: FEES PAYABLE

	2019	2018
	\$	\$
Investment manager fees payable	202,347	160,440
	<u>202,347</u>	<u>160,440</u>

NOTE 9: OTHER EXPENSES PAYABLE

	2019	2018
	\$	\$
RITC receivable	(16,348)	(13,178)
Other accrued fees	20,640	16,399
Provision for tax return fees	4,000	3,500
	<u>8,292</u>	<u>6,721</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10: LOAN FROM UNITHOLDERS

	2019	2018
	\$	\$
Loan from unitholders	583,408	173,752
	<u>583,408</u>	<u>173,752</u>

The nominal distributable amount payable to unitholders at the end of each financial year, net of withholding tax, was reinvested in the Fund as a 'Loan from Unitholders'. This amount will be repaid at the repayment date of the one of the loans to the Borrower, or at the end of the Term of the Fund.

Since 29 April 2019, two loans amounting to a total of \$1,746,000 are currently in default. As such, the Loan from Unitholders in relation to these two investments has not yet been repaid and the investors have not been redeemed from the Fund.

NOTE 11: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(a) Issued units in \$

	2019	2018
	\$	\$
Opening balance	4,900,000	5,250,000
Redemptions	-	(350,000)
Closing balance	<u>4,900,000</u>	<u>4,900,000</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.

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

	2019	2018
	\$	\$
Opening balance	27,000	-
Net operating profit/(loss) attributable to unitholders	461,820	506,556
Fair value profit/(loss) on investment	-	-
Distributions payable	(488,820)	(479,556)
Closing balance	<u>-</u>	<u>27,000</u>

Withholding taxes applicable to the distributions payable during the 2019 financial year were \$42,897. Total distributions payable for the financial year were \$488,820.

(c) Capital management

The Fund regards total unitholders' interests as capital. The objective of the Fund is to provide unitholders with income distributions. The Fund aims to achieve this objective mainly through investing in a portfolio of real estate related investments in the Australian market.

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

**ACIF PRIORITY FUND
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

NOTE 12: 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 Fund is Vasco Investment Managers Limited.

The Investment Manager is responsible for the payment of the fees of the Trustee and Administration Manager.

(b) Investment Manager

The Investment Manager of the Fund is Australia China Investment Fund Pty Ltd.

Fees of \$202,347 (plus GST) were accrued and paid by the Fund to Australia China Investment Fund Pty Ltd for its role as Investment Manager for the period, of which \$15,176 is claimable by the Fund as RITC.

As at 30 June 2019, the Investment Manager and their related parties held 900,000 units in the Fund.

(c) Administration Manager

The Administration Manager of the Fund is Vasco Fund Services Pty Limited. The Administration Manager has changed its name from Vasco Funds Management Pty Limited to Vasco Fund Services Pty Limited to better reflect the activities of the company as well as to keep in line with industry conventions. The ACN and other details remain unchanged.

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

The Investment Manager is responsible for the payment of the fees of the Trustee and Administration Manager.

(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, Australia China Investment Fund Pty Ltd, to manage the activities of the Fund. The Directors of the Trustee and Investment Manager are key management personnel of those corporate entities. No compensation is paid directly by the Fund to Directors or to any of the key management personnel of the Trustee or Investment Manager. Payments made by the Fund to the Trustee and Investment Manager do not specifically include any amounts attributable to the compensation of key management personnel.

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

**ACIF PRIORITY FUND
PROPERTY AND LOAN UNIT CLASS**

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

NOTE 15: FINANCIAL RISK MANAGEMENT

(a) Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund holds investments in mezzanine loans to property developers and an investment in a unit trust, which are not considered to be assets that are readily realisable. In order to address this risk, the Trustee retains broad discretion to restrict distributions, withdrawals and/or redemptions.

(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 loans to a single borrower Caydon Finance Pty Ltd. Each loan to Caydon Finance Pty Ltd is secured by a Guarantee and Indemnity. Generally speaking, a Guarantee and Indemnity provides that in the event the borrower fails to perform its obligations under the loan, the guarantor will carry out the obligations on the borrower's behalf.

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

**ACIF PRIORITY FUND
PROPERTY AND LOAN UNIT CLASS**

DIRECTORS' DECLARATION

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

- (a) The financial statements and notes of ACIF Priority Fund Property and Loan Unit Class 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 ACIF Priority Fund Property and Loan Unit Class will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Craig Mathew Dunstan

Director

9 August 2019