



VASCO CASH ENHANCED FUND

ABN 71 964 253 466

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2021

VASCO CASH ENHANCED FUND
TRUSTEE REPORT
FOR THE YEAR ENDED 30 JUNE 2021

The Directors of the Trustee, Vasco Custodians Pty Ltd present their report on the Vasco Cash Enhanced Fund ('the Fund') for the year ended 30 June 2021.

Effective 12 April 2021, Vasco Trustees Limited retired as Trustee and appointed Vasco Custodians Pty Ltd as Trustee of the Fund.

1. Directors of Vasco Trustees Limited for the period 1 July 2020 to 12 April 2021

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

Craig Mathew Dunstan

Fiona Jean Dunstan (resigned 31 December 2020)

Jonathan Martin

Reginald Bancroft

Directors of Vasco Custodians Pty Ltd for the period 12 April 2021 to 30 June 2021

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

Craig Mathew Dunstan

Fiona Jean Dunstan

Registered Office: Level 4, 99 William Street, Melbourne VIC 3000

2. Principal Activities

The Fund invests in a portfolio of bank deposits, term deposits, ASX listed floating rate notes and managed investment schemes that invest in fixed income securities that provide a high level of liquidity.

The Fund was established on 7 April 2016. As at 30 June 2021 there were two unit classes in the Fund. The Fund issued the first Class A units on the commencement date of 5 April 2017. The Fund issued the first Class B units on 29 January 2021.

3. Operating Results

The operating profit of the Fund for the financial year ending 30 June 2021 was \$44,865 (2020: \$18,448).

4. Review of Operations

Since inception the Fund has issued 7,632,014 units, in Unit Class A. Of these 3,238,906 units in total have been redeemed. Distributions of \$64,514 were reinvested in the Fund.

During the financial year 2,876,034 units have been issued in Unit Class A of which 8,534 units have resulted from the reinvestment of distributions.

During the period, the Fund issued 50,003,529 units, in Unit Class B. Of these 2,884,401 units in total have been redeemed. Distributions of \$28,578 were reinvested in the Fund.

As at 30 June 2021, the Fund held the following investments:

Investment	Value \$	%
State Street Floating Rate Fund	6,905,949	13.44
Macquarie Income Opportunities Fund	3,373,195	6.56
Term deposits	30,401,764	59.15
Cash at bank	10,719,157	20.85
Total	\$51,400,065	100.00

VASCO CASH ENHANCED FUND
TRUSTEE REPORT
FOR THE YEAR ENDED 30 JUNE 2021

As at 30 June 2021, the Fund held Term Deposits with the following financial institutions:

Financial Institution	Value \$	%
Macquarie Bank	4,400,000	14.47
ME Bank	5,000,000	16.45
Heritage Bank	11,000,000	36.18
Judo Bank	5,001,764	16.45
People's Choice Credit Union	5,000,000	16.45
Total	\$30,401,764	100.00

4. Review of Operations (continued)

As at 30 June 2021, the Interest Rate Duration (Investment Weight by Days to Maturity) was 86.27 days.

Vasco Trustees Limited retired as trustee of the Fund and Vasco Custodians Pty Ltd was appointed trustee of the Fund on 12 April 2021.

5. Review of Performance

Unit Class	2021 % p.a.	2020 %p.a.	2019 % p.a.	2018 % p.a.	2017 % p.a.
Class A	0.11	0.03	1.45	0.65	0.65
Class B	0.25	-	-	-	-

6. Unit Redemption Prices

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

Class A	2021 \$	2020 \$
At 30 June	1.00	1.00
High during year	1.00	1.00
Low during year	1.00	1.00

Class B	2021 \$	2020 \$
At 30 June	1.00	-
High during year	1.00	-
Low during year	1.00	-

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

VASCO CASH ENHANCED FUND
TRUSTEE REPORT
FOR THE YEAR ENDED 30 JUNE 2021

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 to all Unitholders monthly by way of direct credit or reinvestment in the Fund. An amount of \$37,111 had been reinvested into the Fund for the financial year.

8. Applications Held

At 30 June 2021, the value of pending unit allocations was \$430,677.

9. Redemption Arrangements

All units are expected to be redeemed at a redemption price of \$1.00. However, this is not a capital guarantee. The unit redemption price may fall below \$1.00 in the event that there are losses on investments made by the Fund, or where accumulated fees and expenses exceed income over a particular distribution period.

During the period since inception, 3,527,481 units in total at \$1 per unit have been redeemed.

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 \$51,492,725 (2020: \$2,159,876). The Net Asset Value at the end of the reporting period was \$51,426,379 (2020: \$2,152,647).

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.

VASCO CASH ENHANCED FUND
TRUSTEE REPORT
FOR THE YEAR ENDED 30 JUNE 2021

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 wilful 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

Management fees of 0.75% of Gross Asset Value are payable to the Trustee of the Fund in respect of Class A units. Management fees of 0.45% of Gross Asset Value are payable to the Trustee of the Fund in respect of Class B units.

Management fees of \$40,542 (plus GST) were accrued and paid by the Fund to Vasco Trustees Limited for the period in which it was trustee of the Fund..

Management fees of \$64,933 (plus GST) were accrued and paid by the Fund to Vasco Custodians Pty Ltd for the period in which it was trustee of the Fund.

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

At 30 June 2021, the Trustee and their related parties held no units in the Fund in their own right however, Vasco Custodians Pty Ltd as escrow agent for various unitholders held 47,119,128 units.

19. Interests in the Fund

The movement of units on issue in the Fund during the year is set out in Note 10 to the financial statements.

The value of the Fund's assets and liabilities is disclosed on the balance sheet and derived using the basis set out in Note 1 to the financial statements.

20. 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.

21. 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.

VASCO CASH ENHANCED FUND
TRUSTEE REPORT
FOR THE YEAR ENDED 30 JUNE 2021

Type text here

Signed in accordance with a resolution of the Board of Directors of Vasco Custodians Pty Ltd by:

Craig Dunstan

Craig Dunstan

Director

Date: 5 November 2021



**Building a better
working world**

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Vasco Custodians Pty Ltd

As lead auditor for the audit of the financial report of Vasco Cash Enhanced Fund for the financial year ended 30 June 2021, I declare 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.
- c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Elliott Shadforth'.

Elliott Shadforth
Partner
5 November 2021

VASCO CASH ENHANCED FUND

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	2021 \$	2020 \$
Investment income			
Interest income measured at amortised cost	2 (a)	69,508	17,121
Distribution income	2 (b)	110,654	21,372
Net changes in fair value of financial assets through profit or loss	5	(78,349)	(7,070)
Total investment income	15	<u>101,813</u>	<u>31,423</u>
Expenses			
Management fees	3	105,475	17,670
Other expenses	4	29,822	2,375
Total operating expenses before finance costs		<u>135,297</u>	<u>20,045</u>
Net operating profit before finance costs		<u>(33,484)</u>	<u>11,378</u>
		2021 \$	2020 \$
Finance costs attributed to unitholders			
Distributions to unitholders		(44,865)	(18,448)
Change in net assets attributable to unitholders		78,349	7,070
Total comprehensive income for the year		<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements

VASCO CASH ENHANCED FUND
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Notes	2021 \$	2020 \$
Current assets			
Cash and cash equivalents	6 (a)	10,719,158	510,441
Term deposits	6 (b)	30,401,764	650,000
Sundry debtor	6 (c)	1	1
Investment assets	7 (a)	10,279,144	992,493
Accrued investment income	7 (b)	92,658	6,941
Total current assets		51,492,725	2,159,876
Non-current assets			
		-	-
Total non-current assets		-	-
Total assets		51,492,725	2,159,876
Liabilities			
Fees payable	8	54,908	1,328
Other expenses payable	9	(798)	609
Distribution payable		10,283	5,251
Withholding tax payable		1,953	40
Total liabilities		66,346	7,229
Net assets attributable to unitholders		51,426,379	2,152,647

The accompanying notes form part of these financial statements

VASCO CASH ENHANCED FUND

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

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.

VASCO CASH ENHANCED FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Interest received		23,781	18,121
Distribution income received		68,900	19,472
Payment of other operating expenses		(83,126)	(22,000)
Cash paid to ATO for withholding tax from distributions		(809)	(2,112)
Net cash provided by/ (used in) operating activities		8,746	13,481
Cash flows from investing activities			
Payment for purchase of investments		(9,365,000)	-
Payment for term deposits		(30,250,000)	(500,000)
Cash received from maturity of term deposits		500,000	1,150,000
Net cash provided by/ (used in) investing activities		(39,115,000)	650,000
Cash flows from financing activities			
Proceeds from issue of units		52,842,450	500,113
Payment for redemption of units		(3,527,480)	(1,185,079)
Net cash provided by/ (used in) financing activities		49,314,970	(684,966)
Net increase/ (decrease) in cash and cash equivalents		10,208,716	(21,485)
Cash and cash equivalents at the beginning of year		510,441	531,926
Cash and cash equivalents at the end of year	6 (a)	10,719,157	510,441

The accompanying notes form part of these financial statements

VASCO CASH ENHANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial report is for the Vasco Cash Enhanced Fund ('the Fund'). The Fund is an unregistered managed investment scheme established and domiciled in Australia. The Trustee of the Fund is Vasco Custodians Pty Ltd.

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*).

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*. Vasco Cash Enhanced 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 5 November 2021.

(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.

(e) 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.

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 recognised in the statement of profit or loss and other comprehensive income.

VASCO CASH ENHANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

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 redemption 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.

(f) Cash and cash equivalent

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.

(g) Net assets attributable to unitholders

The Fund's units are classified as liability as they did not satisfy the below criteria:

Units are classified as equity when they satisfy the criteria under AASB 132 Financial Instruments: Presentation as below:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

In addition to the puttable financial instrument having all of the above features, the Fund must have no other financial instrument or contract that has:

- total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund; and
- the effect of substantially restricting or fixing the residual return to the redeemable shareholders.

The Fund continually assesses the classification of the units. If the units cease to have all the features, or meet all the conditions set out, to be classified as equity, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the units subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

VASCO CASH ENHANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Net assets attributable to unitholders (continued)

The Fund's capital is represented by the units, which are redeemable at the unitholders' option however the Trustee may suspend redemption if it is in the best interest of unitholders.

Quantitative information about the Fund's capital is provided in Note 10. The units are entitled to distributions when declared and to payment of a proportionate share of the Fund's net asset value on the redemption date or upon winding up of the Fund.

(h) 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.

(i) Income tax

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

(j) New accounting standards and interpretations

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2020 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2021, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

NOTE 2: INVESTMENT INCOME

The Fund's investment income may be analysed under the following categories

(a) Interest measured at amortised cost

	2021	2020
	\$	\$
Bank interest	69,508	17,121
	<u>69,508</u>	<u>17,121</u>

Cash on deposit is held in a Macquarie Bank cash management account (AUD). From December 2020 the interest rate is 0.12% p.a.

VASCO CASH ENHANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 2: INVESTMENT INCOME (continued)

(b) Distribution income

	2021	2020
	\$	\$
Macquarie Income Opportunities Fund	84,062	8,698
State Street Floating Rate Fund	26,592	12,674
	110,654	21,372
	110,654	21,372

NOTE 3: MANAGEMENT FEES

	2021	2020
	\$	\$
Management fees	105,475	17,670
	105,475	17,670
	105,475	17,670

In accordance with the Information Memorandum, the fee for the Trustee managing the Fund is 0.75% p.a. based on Gross Asset Value in respect of Class A units, and 0.45% p.a. in respect of Class B units, calculated and accrued daily. The accrued fee is paid monthly in arrears by deduction from the returns of the Fund.

NOTE 4: OTHER EXPENSES

	2021	2020
	\$	\$
Tax return fees	1,000	1,000
Audit fees	15,000	-
Bank fees	120	-
Other administration expenses	9,900	850
GST expense (non-claimable)	3,802	525
	29,822	2,375
	29,822	2,375

NOTE 5: NET CHANGES IN FAIR VALUE OF FINANCIAL ASSETS THROUGH PROFIT OR LOSS

	2021	2020
	\$	\$
Unrealised gain/loss	(78,349)	(7,070)
	(78,349)	(7,070)
	(78,349)	(7,070)

VASCO CASH ENHANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 6: CASH, CASH EQUIVALENTS AND TERM DEPOSITS

(a) Cash at bank

	2021	2020
	\$	\$
Macquarie Bank CMA	790,791	510,441
Macquarie Bank Accelerator Account	9,928,367	-
	10,719,158	510,441

(b) Term deposits

	2021	2020
	\$	\$
Term deposits	30,401,764	650,000
	30,401,764	650,000

(c) Sundry debtor

This is the minimum balance to be retained in the applications bank account when the units were issued.

NOTE 7: INVESTMENTS

(a) Financial assets at fair value through profit and loss

As at 30 June 2021 the Fund's investments comprised of:

	2021	2020
	\$	\$
Macquarie Income Opportunities Fund	3,373,195	190,526
State Street Floating Rate Fund	6,905,949	801,967
	10,279,144	992,493

(b) Accrued investment income

	2021	2020
	\$	\$
Opening balance	6,941	6,041
Macquarie Income Opportunities Fund	84,062	8,698
State Street Floating Rate Fund	26,592	12,674
Bank Interest -	69,508	17,121
Less investment income received	(94,445)	(37,593)
Total investment income accrued	92,658	6,941

VASCO CASH ENHANCED FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 8: FEES PAYABLE

	2021	2020
	\$	\$
Management fees payable	39,908	1,328
Audit fees payable	15,000	-
	54,908	1,328
	54,908	1,328

NOTE 9: OTHER EXPENSES PAYABLE

	2021	2020
	\$	\$
RITC receivable	(7,389)	(623)
Provision for tax return fees	1,000	1,000
Other accrued expenses	5,591	233
	(798)	609
	(798)	609

NOTE 10: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(a) Issued units in \$

Class A

	2021	2021	2020	2020
	Units	\$	Units	\$
Opening balance	2,160,154	2,160,154	2,828,444	2,828,444
Redemptions	(643,080)	(643,080)	(1,185,079)	(1,185,079)
Units issued – applications	2,867,500	2,867,500	500,000	500,000
Units issued – reinvestment of distributions	8,534	8,534	16,789	16,789
Closing balance	4,393,108	4,393,108	2,160,154	2,160,154
	4,393,108	4,393,108	2,160,154	2,160,154

Class B

	2021	2021
	Units	\$
Opening balance	-	-
Redemptions	(2,884,401)	(2,884,401)
Units issued – applications	49,974,951	49,974,951
Units issued – reinvestment of distributions	28,578	28,578
Closing balance	47,119,128	47,119,128
	47,119,128	47,119,128

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.

VASCO CASH ENHANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 10: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)

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

	2021	2020
	\$	\$
Opening balance	(7,507)	(437)
Net operating profit/(loss) attributable to unitholders	44,865	18,448
Fair value profit/(loss) on investment	(78,349)	(7,070)
Distributions paid	(34,582)	(13,197)
Distributions payable	(10,283)	(5,251)
Closing balance	(85,856)	(7,507)

Total distributions for the financial year were \$44,865.

Withholding taxes applicable to the distributions payable during the 2021 financial year were \$5,490.

(c) Capital management

The Fund regards total unitholders' interests as capital. The Fund invests in a portfolio of bank deposits, term deposits and managed investment schemes that provide a high level of liquidity. The Fund pays monthly distributions out of the profit of the Fund.

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

NOTE 11: 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 Vasco Cash Enhanced Fund is Vasco Custodians Pty Ltd. Fees of \$40,542 were paid/payable by the Fund to Vasco Trustees Limited for its role as Trustee for the period in which it was trustee, of which \$3,041 is claimable by the Fund as RITC, and \$64,933 was paid or payable to Vasco Custodians Pty Ltd for the period in which it was trustee, of which \$4,870 is claimable by the Fund as RITC.

(b) Key management personnel

The Fund does not employ personnel in its own right. However, it has an incorporated Trustee, Vasco Custodians 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.

VASCO CASH ENHANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 12: CONTINGENT LIABILITIES

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

NOTE 13: 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 14: 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 bank deposits, term deposits, managed investment schemes and ASX listed floating rate notes, which are 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 assets recognised at the reporting date.

(c) Interest Risk

The Fund's interest rate risk is monitored by the Trustee. 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.

NOTE 15: RECONCILIATION OF PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2021	2020
	\$	\$
Profit/(Loss) for the year	44,865	18,448
Less: withholding tax paid	(2,722)	(1,189)
Changes in assets and liabilities:		
(Increase) in receivables	(87,483)	(900)
Increase in payables	54,086	(2,878)
Cash flows from operating activities	<u><u>8,746</u></u>	<u><u>13,481</u></u>

VASCO CASH ENHANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 16: FAIR VALUE MEASUREMENT

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets/liabilities at fair value through profit or loss (see Note 7)

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current year.

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(i) *Fair value in an active market*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the year. The Fund values its investments in accordance with the accounting policies set out in Note 1 to the financial statements.

A financial instrument is regarded as quoted in an active market if quoted prices for an identical asset are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) *Fair value in an inactive or unquoted market (level 2 and level 3)*

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds.

Recognised fair value measurement

The table below set out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy as at 30 June 2021 and 30 June 2020.

As at 30 June 2021	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
Macquarie Income Opportunities Fund	-	3,373,195	-	3,373,195
State Street Floating Rate Fund	-	6,905,949	-	6,905,949
Total	-	10,279,144	-	10,279,144

VASCO CASH ENHANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 16: FAIR VALUE MEASUREMENT (continued)

As at 30 June 2020	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
Macquarie Income Opportunities Fund	-	190,526	-	190,526
State Street Floating Rate Fund	-	801,967	-	801,967
Total	-	992,493	-	992,493

NOTE 17: TRUSTEE DETAILS

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

Vasco Custodians Pty Ltd

Level 4

99 William Street

Melbourne Victoria 3000

VASCO CASH ENHANCED FUND

DIRECTORS' DECLARATION

In the opinion of the Directors of Vasco Custodians Pty Ltd:

- (a) The financial statements and notes of Vasco Cash Enhanced 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 2021 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 Vasco Cash Enhanced 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.

Craig Dunstan

Craig Dunstan

Director

5 November 2021



**Building a better
working world**

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent Auditor's Report to the Unitholders of Vasco Cash Enhanced Fund

Opinion

We have audited the accompanying financial report of Vasco Cash Enhanced Fund ("the Fund"), which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Fund as of 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors of Vasco Custodians Pty Ltd ("the Trustee") are responsible for the other information. The other information is the Trustee's report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



**Building a better
working world**

Auditor's Responsibilities for the Audit of the Financial Report (cont.)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Elliott Shadforth'.

Elliott Shadforth
Partner
Sydney
5 November 2021