



**AUSTRALIA CHINA
INVESTMENT FUND**

ABN 50 276 530 275

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2019

AUSTRALIA CHINA INVESTMENT FUND

TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2019

The Directors of the Trustee, Vasco Investment Managers Limited present their report on the Australia China Investment 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 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 Fund are to invest in a portfolio of real estate related investments in the Australian market in a SIV compliant manner as the rules were in existence on 30 June 2015.

The Fund was established on 21 August 2015 and issued the first units on the commencement date of 23 November 2015.

3. Operating Results

The operating profit of the Fund for the financial year ending 30 June 2019 was \$1,949,462 (2018: \$1,896,184).

4. Review of Operations

During the period since inception, the Fund has issued 27,500,000 units of which none have resulted from the reinvestment of distributions. 2,000,000 units have been redeemed since inception of the Fund.

During the financial year no additional units have been issued.

The Fund previously provided \$5,000,000 as an investment loan to Caydon Finance Pty Ltd. This loan was repaid on 5 October 2018, and the Fund used the proceeds to invest \$5,000,000 in ICAM Westpac House Investment Trust 1. ICAM Westpac House Investment Trust 1 has acquired a 50% freehold interest in 'Westpac House', an office building in Adelaide, SA. This investment was made via a transfer of units from the ACIF Balancing Fund. Australia China Investment Fund Pty Ltd is the Investment Manager of the ACIF Balancing Fund.

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

Investments	Value \$
Golden Age Box Hill Development Unit Trust	20,000,000
ICAM Westpac House Investment Trust 1	4,559,108
Total	24,559,108

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TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2019

5. Review of Performance

Unit Class	2019 % p.a.	2018 % p.a.	2017 % p.a.	2016 % p.a.
Ordinary units	6.50	7.50	7.50	7.50

6. Unit Redemption Prices

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

	2019 \$	2018 \$
At 30 June	0.99	1.00
High during year	1.00	1.00
Low during year	0.99	1.00

As the nature of the underlying investments has changed, the unit price is variable to reflect the valuation of the investments each month.

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 a quarterly basis within 14 days after the end of each quarter.

The following distributions have been paid or payable for the financial year to 30 June 2019:

Period	Distribution payable (CPUD)
July – September 2018	1.8904
October – December 2018	1.8904
January – March 2019	1.8904
April – June 2019	1.8904

The total distributions declared for the financial year were \$1,912,500 (2018: \$1,912,500)

8. Applications Held

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

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TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2019

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 Trust Deed 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 initial 4 years of their investment. Investors may only withdraw their investment after the minimum investment period of 4 years, subject to available liquidity. The Trustee has the absolute discretion to permit Investors to voluntarily withdraw any amount from the Fund.

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 \$25,687,673 (2018: \$26,251,123). The Net Asset Value at the end of the reporting period was \$25,146,062 (2018: \$25,549,992).

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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TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2019

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 \$25,939 (plus GST) were accrued and paid by the Fund to the Trustee for the period.

Fees of \$26,362 (plus GST) were accrued and paid by the Fund to the Administration Manager for the period.

Investment manager fees of \$259,391 (plus GST) were accrued and paid by the Fund to the Investment Manager for the period.

Performance fees of \$121,995 (plus GST) were accrued and paid by the Fund to the Investment Manager for the period.

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

As at 30 June 2019, neither the Trustee nor the Investment Manager or their related parties held units in the Fund.

19. Interests Issued in the Fund

	2019	2018
Opening Unit Balance	25,500,000	25,500,000
Closing Unit Balance	25,500,000	25,500,000

20. Number of Interests on Issue

As at 30 June 2019, the number of units on issue in the Fund was 25,500,000 (2018: 25,500,000)

21. Rounding of Amounts

The Fund is of a kind referred to in the *Australian Securities and Investments Commission's Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191*. Consequently, amounts in the financial statements have been rounded to the nearest dollar in accordance with that legislative instrument, or in certain cases, the nearest thousand dollars.

22. Environmental 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.

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**TRUSTEE REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

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

A handwritten signature in black ink, appearing to read 'Craig Mathew Dunstan', written over a horizontal line.

Craig Mathew Dunstan

Director

Date: 1 October 2019

AUSTRALIA CHINA INVESTMENT 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)	8,583	16,502
Distribution income	2 (b)	2,258,876	2,075,000
Loan interest income	2 (c)	139,397	530,000
Total revenue and other income		2,406,856	2,621,502
Expenses			
Investment manager fees	3	259,391	260,612
Performance fees	3	121,995	383,458
Trustee fees	4	25,939	26,061
Administration fees	4	26,362	25,729
Other expenses	5	23,707	29,458
Total expenses		457,394	725,318
Net profit attributed to unitholders		1,949,462	1,896,184
Other comprehensive income			
Capital redemption	6	-	49,992
Fair value profit or (loss) on investments	6	(440,892)	-
Total other comprehensive income		(440,892)	49,992
Distribution expense		1,912,500	1,912,500
Total comprehensive income for the year attributable to unitholders net of distributions		(403,930)	33,676

The accompanying notes form part of these financial statements

AUSTRALIA CHINA INVESTMENT FUND

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	2019 \$	2018 \$
Current assets			
Cash and cash equivalents	7	577,837	636,962
Accrued loan interest income	8 (b)	-	132,137
Accrued distribution income	8 (c)	547,843	472,214
Total current assets		1,125,680	1,241,313
Non-current assets			
Investment assets	8 (a)	24,559,108	25,000,000
Prepaid expenses	9	16,735	16,735
Less amortisation	9	(13,850)	(6,925)
Total non-current assets		24,561,993	25,009,810
Total assets		25,687,673	26,251,123
Liabilities			
Fees payable	11	68,844	185,678
Other expenses payable	12	(4,048)	(7,590)
Distributions payable	13 (b)	476,815	476,815
Withholding tax payable		-	46,228
Total liabilities		541,611	701,131
Net assets		25,146,062	25,549,992
Represented by:			
Issued units	13 (a)	25,500,000	25,500,000
Undistributed profit/(loss) attributable to unitholders	13 (b)	(353,938)	49,992
Net assets attributable to unitholders		25,146,062	25,549,992

The accompanying notes form part of these financial statements

AUSTRALIA CHINA INVESTMENT 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.

AUSTRALIA CHINA INVESTMENT FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Bank interest		8,583	16,502
Investment income received		2,454,781	2,489,384
Tax paid		(179,288)	(140,964)
Payments to suppliers		(609,864)	(765,046)
		1,674,212	1,599,876
Cash flows from investing activities			
Payment for investment assets		(5,000,000)	-
Proceeds from loan repayment		5,000,000	-
		-	-
Cash flows from financing activities			
Application held		-	(3,147,637)
Distribution paid to unitholders		(1,733,337)	(1,725,012)
		(1,733,337)	(4,872,649)
Net cash provided by/(used in) operating activities			
Net cash provided by/(used in) investing activities			
Net cash provided by/(used in) financing activities			
Net increase/ (decrease) in cash and cash equivalents		(59,125)	(3,272,773)
Cash and cash equivalents at the beginning of year		636,962	3,909,735
Cash and cash equivalents at the end of year	7	577,837	636,962

The accompanying notes form part of these financial statements

AUSTRALIA CHINA INVESTMENT 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 Australia China Investment 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 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*. Australia China Investment 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 1 October 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.

AUSTRALIA CHINA INVESTMENT 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 Australia China Investment Fund commenced operations in November 2015, 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.

AUSTRALIA CHINA INVESTMENT 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	8,583	16,502
	8,583	16,502

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) Distribution income

	2019	2018
	\$	\$
Investment in ICAM Westpac House Investment Trust 1		
ICAM Westpac House Investment Trust 1 declared a distribution of \$0.01198 per unit on 31 December 2018, a distribution of \$0.01099 per unit on 31 March 2019, and a distribution of \$0.01410 per unit on 30 June 2019.	183,876	-
Investment in Golden Age Box Hill Development Unit Trust		
Golden Age Box Hill Development Unit Trust declares 12 distributions every year according to a schedule provided. The distribution amounts to 10.375% pa.	2,075,000	2,075,000
Total distribution income	2,258,876	2,075,000

(c) Loan interest income

	2019	2018
	\$	\$
Caydon investment loan	139,397	530,000
	139,397	530,000

The Fund previously provided \$5,000,000 as an investment loan to Caydon Finance Pty Ltd. The interest rate of 10.6% p.a. was payable quarterly from the drawdown of the loan. This loan was repaid on 5 October 2018.

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

NOTE 3: INVESTMENT MANAGER FEES AND PERFORMANCE FEES

	2019	2018
	\$	\$
Investment management fees	259,391	260,612
Performance fees	121,995	383,458
	<u>381,386</u>	<u>644,070</u>

Investment management fee

In accordance with the Information Memorandum of the Fund, the Investment Manager is entitled to an investment management fee of 1.0 % (plus GST) per annum of the gross asset value of the Fund, calculated and paid monthly in arrears out of the assets of the Fund.

Where in any quarter the return to Investors is less than 7.5% p.a. the Investment Manager will waive in whole or part its investment management fee for the following quarter, so as to make up some or the entire shortfall in return to Investors in the previous quarter.

Performance fee

The Investment Manager is also entitled to a quarterly performance fee equivalent to any distributable income or capital gains after unitholders have received a return of 7.5% per annum (after all fees and expenses) and any previous under-performance has been recovered.

In accordance with the Information Memorandum of the Fund, where in any quarter the return to Investors is less than 7.5% p.a. the Investment Manager will reimburse the Fund for any underperformance, so as to make up the shortfall in return to Investors.

NOTE 4: TRUSTEE AND ADMINISTRATION FEES

	2019	2018
	\$	\$
Trustee fees	25,939	26,061
Administration fees	26,362	25,729
	<u>52,301</u>	<u>51,790</u>

In accordance with the IM of the Fund the Trustee is entitled to an annual fee of 0.1% (plus GST) of the GAV of the Fund, subject to a minimum fee of \$25,000 (plus GST); and an annual administration fee of up to \$25,000 (plus GST) increasing in line with the Consumer Price Index (CPI). A CPI increase of 2.5% was applied from 21 August 2018 and the annual fee is now \$26,451.

NOTE 5: OTHER EXPENSES

	2019	2018
	\$	\$
GST expense (non-claimable)	13,982	17,965
Other administration expenses	900	968
Tax return fees	1,900	3,600
Establishment fees	6,925	6,258
Legal fees	-	667
	<u>23,707</u>	<u>29,458</u>

AUSTRALIA CHINA INVESTMENT FUND

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

NOTE 6: OTHER COMPREHENSIVE INCOME

As at 30 June 2019 the Fund's other comprehensive income comprised of:

	2019	2018
	\$	\$
Capital redemption	-	49,992
Investment in ICAM Westpac House Investment Trust 1	(440,892)	-
	(440,892)	49,992

NOTE 7: CASH AND CASH EQUIVALENTS

Cash at bank

	2019	2018
	\$	\$
Macquarie Bank	577,837	636,962
	577,837	636,962

NOTE 8: INVESTMENTS

(a) Available for sale investments

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

	2019	2018
	\$	\$
Golden Age Box Hill Development Unit Trust	20,000,000	20,000,000
ICAM Westpac House Investment Trust 1	4,559,108	-
Caydon Finance Pty Ltd Loan	-	5,000,000
	24,559,108	25,000,000

The Fund previously provided \$5,000,000 as an investment loan to Caydon Finance Pty Ltd. This loan was repaid on 5 October 2018, and the Fund used the proceeds to invest \$5,000,000 in ICAM Westpac House Investment Trust 1. ICAM Westpac House Investment Trust 1 has acquired a 50% freehold interest in 'Westpac House', an office building in Adelaide, SA.

This investment was made via a transfer of units from the ACIF Balancing Fund. Australia China Investment Fund Pty Ltd is the Investment Manager of the ACIF Balancing Fund.

(b) Accrued loan interest income

	2019	2018
	\$	\$
Loan interest – Caydon Finance Pty Ltd	-	132,137
	-	132,137

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

NOTE 8: INVESTMENTS (continued)

(c) Accrued distribution income

	2019	2018
	\$	\$
Opening balance	472,214	
Investment in ICAM Westpac House Investment Trust 1		
ICAM Westpac House Investment Trust 1 declared a distribution of \$0.01198 per unit on 31 December 2018, a distribution of \$0.01099 per unit on 31 March 2019, and a distribution of \$0.01410 per unit on 30 June 2019.	183,876	-
Investment in Golden Age Box Hill Development Unit Trust		
Golden Age Box Hill Development Unit Trust declares 12 distributions every year according to a schedule provided. The distribution amounts to 10.375% p.a.	2,075,000	2,075,000
	2,731,090	2,075,000
Less distributions received	(2,183,247)	(1,602,786)
Total accrued distribution income	547,843	472,214

NOTE 9: AMORTISATION OF PREPAID EXPENSES

	2019	2018
	\$	\$
Prepaid expenses	16,735	16,735
Less amortisation	(13,850)	(6,925)
	2,885	9,810

Trust establishment costs of \$27,700 including the establishment fees of \$14,500 paid to the Trustee, legal fees of \$8,000 for establishment of the Trust, drafting of the IM of \$5,000 and stamp duty of \$200 are categorised as a prepaid expense and amortised over four years.

NOTE 10: FEES PAYABLE

	2019	2018
	\$	\$
Investment manager fees payable	64,499	65,244
Performance fees payable	-	116,096
Trustee fees payable	2,141	2,188
Administration fees payable	2,204	2,150
	68,844	185,678

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

NOTE 11: OTHER EXPENSES PAYABLE

	2019	2018
	\$	\$
RITC receivable	(11,721)	(18,178)
Provision for tax and audit fees	2,200	3,300
Other accrued expenses	5,473	7,288
	(4,048)	(7,590)
	(4,048)	(7,590)

NOTE 12: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(a) Issued units in \$

	2019	2018
	\$	\$
Opening balance	25,500,000	25,500,000
Closing balance	25,500,000	25,500,000
	25,500,000	25,500,000

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	49,992	16,316
Capital redemption	-	49,992
Revaluation reserve	(440,892)	-
Net operating profit/(loss) attributable to unitholders	1,949,462	1,896,184
Distributions paid	(1,435,685)	(1,435,685)
Distributions payable	(476,815)	(476,815)
Closing balance	(353,938)	49,992
	(353,938)	49,992

Withholding taxes applicable to the distributions payable during the 2019 financial year were \$196,978. Total distributions payable for the financial year were \$1,912,500.

(c) Capital management

The Fund regards total equity 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. The Investment Manager regularly reviews the performance of the Fund, including asset allocation strategies, investment and risk management.

AUSTRALIA CHINA INVESTMENT FUND

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

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 Australia China Investment Fund is Vasco Investment Managers Limited.

Fees of \$25,939 (plus GST) were accrued and paid by the Fund to Vasco Investment Managers Limited for its role as Trustee for the period, of which \$1,427 is claimable by the Fund as RITC.

(b) Investment Manager

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

Investment manager fees of \$259,391 (plus GST) were accrued and paid by the Fund to the Investment Manager for the period, of which \$19,454 is claimable by the Fund as RITC.

Performance fees of \$121,995 (plus GST) were accrued and paid by the Fund to the Investment Manager for the period, of which \$9,150 is claimable by the Fund as RITC.

(c) Administration Manager

The Administration Manager of the Australia China Investment Fund was Vasco Investment Managers Limited.

Administration fees of \$26,362 (plus GST) were accrued and paid by the Fund to Vasco Investment Managers Limited for undertaking fund administration responsibilities, of which \$1,977 is claimable by the Fund as RITC.

The Fund changed its Administration Manager from Vasco Investment Managers Limited to Vasco Fund Services Pty Limited, a related party of the Trustee. This change was effective 1 July 2019.

(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 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.

AUSTRALIA CHINA INVESTMENT FUND

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

NOTE 16: FINANCIAL RISK MANAGEMENT

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 real estate development trusts and in loans, 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.

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

AUSTRALIA CHINA INVESTMENT FUND

DIRECTORS' DECLARATION

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

- (a) The financial statements and notes of Australia China Investment 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 Australia China Investment 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 Mathew Dunstan

Director

1 October 2019