



FREEDOM INCOME FUND

ABN 21 123 869 919

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2023

FREEDOM INCOME FUND
TRUSTEE REPORT
FOR THE YEAR ENDED 30 JUNE 2023

The Directors of the Trustee, Vasco Custodians Pty Ltd present their report on the Freedom Income Fund ('the Fund') for the year ended 30 June 2023.

1. Directors

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

Craig Mathew Dunstan

Fiona Jean Dunstan

2. Principal Activities

The Fund provides Investors with an opportunity to acquire Units in the Fund which entitle them to share in any returns generated by the Fund.

The Fund has made a single loan to Freedom Wealth Services Pty Ltd (Borrower), a financial planning business and related party of the Investment Manager. The Borrower has used the monies advanced by the Fund to:

- purchase the Client Book of Logic Financial Services Pty Ltd, a related party financial planning company; and
- provide business loans to third party professional services businesses, including financial planning businesses and registered tax agents.

3. Operating Results

The total comprehensive income of the Fund for the financial year ending 30 June 2023 was \$nil (2022: \$nil).

4. Review of Operations

The Fund was established on 16 July 2019 and the Information Memorandum was issued on 16 August 2019.

The Fund provides Investors two distinct investment options with each offering providing different levels of return depending on their priority of payment.

- Investment Option 1 offers a Target Return of up to 5.0%.
- Investment Option 2 offers a Target Return of up to 8.0%.

The Fund issued its first units on 1 February 2021.

5. Review of Performance

Returns to unitholders have been in accordance with the Term Sheet issued upon application. The Fund is reimbursed by the Investment Manager to meet the target distribution return to investors.

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6. Unit Redemption Prices

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

	2023 \$	2022 \$
At 30 June	1.00	1.00
High during year	1.00	1.00
Low during year	1.00	1.00

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

7. Distributions Paid or Recommended

Distributions are generally paid to investors within 20 Business Days following the end of each calendar quarter. However, distributions calculated as at the end of each financial year are likely to be paid by 30 September of each year, following the finalisation of the Fund's annual accounts.

The following distributions were declared for the period to 30 June 2023:

Period	Distribution	Payment Status
1 July 2022 – 30 September 2022	\$11,826	Paid
1 October 2022 – 31 December 2022	\$11,826	Paid
1 January 2023 - 31 March 2023	\$11,569	Paid
1 April 2023 - 30 June 2023	\$11,698	Payable

8. Applications Held

As at 30 June 2023, there were no pending applications.

9. Redemptions

Investors have no right to withdraw from the Fund other than as determined by the Trustee in its absolute discretion. To withdraw from the Fund, an investor must complete and submit a Withdrawal Request Form to the Administration Manager.

Subject to available liquidity and the expiry of the Minimum Investment Term, the Trustee will seek to process Withdrawal Requests on a quarterly basis. Where there is insufficient liquidity in a given quarter to satisfy all Withdrawal Requests, Investors will be redeemed pro-rata each quarter until their Withdrawal Request is satisfied in full.

Withdrawal requests must be lodged at least 20 days prior to the end of the quarter. Withdrawal forms are available online at www.vascofm.com.

Under the terms of the Trust Deed, in certain situations, the Trustee is able to, amongst other things, suspend all redemptions or compulsorily redeem Investors where it believes that doing so is in the best interests of Investors in the Fund as a whole.

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TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2023

9. Redemptions (continued)

Where redemptions are not possible, the Investment Manager may, but is not obligated to, arrange for a third party or a related party to purchase the Units held by the Investor seeking to redeem. Units which are transferred by purchase and sale, may not be transferred at the prevailing withdrawal price and Investors' returns may be reduced if they agree to sell their Units to a third party.

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 \$953,213 (2022: \$953,941). The net asset value at the end of the reporting period was \$938,393 (2022: \$938,393).

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.

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.

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TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2023

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

Fees of \$25,000 (2022: \$25,000) (plus GST) were paid or payable by the Fund to the Trustee for the period.

In addition, fees of \$21,525 (2022: \$20,500) (plus GST) were paid or payable by the Fund to the Administration Manager.

The Investment Manager will receive a performance fee calculated as the remainder of income received by the Fund, after the payment of distributions to unitholders and all fees and costs.

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

As at 30 June 2023, Investment Manager, Trustee and its related parties held no units in the Fund.

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 Statement of Financial Position 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.

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



Craig Dunstan

Director

Date: 14 August 2023

FREEDOM INCOME FUND

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 \$	2022 \$
Revenue and other income			
Bank interest	2 (a)	491	28
Investment income	2 (b)	92,000	91,956
Reimbursement from Investment Manager	5	5,434	7,265
Total revenue and other income		97,925	99,249
Expenses			
Trustee fees	3	25,000	25,000
Administration fees	3	21,525	20,500
Other expenses	4	4,480	6,829
Total expenses		51,005	52,329
Operating profit attributed to unitholders		46,920	46,920
Distribution expenses	10 (b)	46,920	46,920
Total comprehensive income for the year attributable to unitholders after distributions		-	-

The accompanying notes form part of these financial statements

FREEDOM INCOME FUND

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

	Notes	2023 \$	2022 \$
Current assets			
Cash and cash equivalents	6	20,139	26,397
Accrued interest Income	7(b)	7,562	-
Sundry debtor	8	5,512	7,544
Total current assets		33,213	33,941
Non-current assets			
Investment assets	7(a)	920,000	920,000
Total non-current assets		920,000	920,000
Total assets		953,213	953,941
Liabilities			
Other expenses payable	9	3,122	3,850
Distributions payable		11,698	11,698
Total liabilities		14,820	15,548
Net assets		938,393	938,393
Represented by:			
Issued units	10 (a)	938,393	938,393
Net assets attributable to unitholders		938,393	938,393

The accompanying notes form part of these financial statements

FREEDOM INCOME FUND

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

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.

FREEDOM INCOME FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 \$	2022 \$
Cash flows from operating activities			
Bank interest	2(a)	491	28
Loan interest		84,438	91,956
Payment to suppliers		(51,545)	(51,097)
Reimbursement from IM		7,277	-
Net cash provided by operating activities		<u>40,662</u>	<u>40,887</u>
Cash flows from investing activities			
Payment for investment assets		-	(30,000)
Net cash (used in) investing activities		<u>-</u>	<u>(30,000)</u>
Cash flows from financing activities			
Distributions paid		(46,920)	(46,917)
Net cash (used in) financing activities		<u>(46,920)</u>	<u>(46,917)</u>
Net (decrease) / increase in cash and cash equivalents		(6,258)	(36,030)
Cash and cash equivalents at the beginning of year		26,397	62,427
Cash and cash equivalents at the end of year	6	<u><u>20,139</u></u>	<u><u>26,397</u></u>

The accompanying notes form part of these financial statements

FREEDOM INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial report is for the Freedom Income 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, and Freedom Term Investments and Fixed Income Pty Ltd is 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*).

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*. Freedom Income 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 14 August 2023.

(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.

FREEDOM INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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 recognised 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 a liability in accordance with *AASB 132 Financial Instruments: Presentation*.

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 liability attributable to the Fund's unitholders.

FREEDOM INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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) 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 2022 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 January 2023, 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.

FREEDOM INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 2: REVENUE

The Fund's revenue may be analysed under the following categories

(a) Bank interest

	2023	2022
	\$	\$
Bank interest	491	28
	<u>491</u>	<u>28</u>

(b) Investment Income

As per the loan agreement, interest is accrued on a daily basis based on 365 days in a year. Interest is calculated on the daily outstanding balance of each advance under the loan, calculated from the drawdown date of that advance until and including the repayment date.

Interest is paid on the last day of the interest period (monthly) for each advance, calculated from the first day of each interest period up to and including the last day of each interest period. Normal interest rate on the Loan is 10% p.a. and default interest rate on a loan is 14% p.a. calculated on the daily balances of default advances

	2023	2021
	\$	\$
Freedom Wealth Services Pty Ltd	92,000	91,956
	<u>92,000</u>	<u>91,956</u>

NOTE 3: TRUSTEE AND ADMINISTRATION FEES

In accordance with the Information Memorandum of the Fund dated 16 August 2019, the Trustee is entitled to receive an annual fee for acting as Trustee of the Fund equal to 0.10% per annum of the Fund's gross asset value, subject to a minimum fee of \$25,000 (2022: \$25,000) per annum.

The Administration Manager is entitled to receive an administration fee of up to \$22,050 (2022: \$21,000) (exclusive of GST) per annum, paid monthly in arrears, on a Fund level where the Fund is below \$10 million or the Fund has less than 25 investors. The administration fee will increase to up to \$25,000 (exclusive of GST) per annum where the Fund is greater than \$10 million or where there are more than 25 investors.

Administration fees are subject to an increase of 5% per annum on 1 January each year.

	2023	2022
	\$	\$
Trustee fees	25,000	25,000
Administration fees	21,525	20,500
	<u>46,525</u>	<u>45,500</u>

FREEDOM INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 4: OTHER EXPENSES

	2023	2022
	\$	\$
Tax return fees	1,970	4,368
GST expense (non-claimable)	1,784	1,861
Other Administration expenses	726	600
	4,480	6,829
	4,480	6,829

NOTE 5: REIMBURSEMENT FROM INVESTMENT MANAGER

This is the reimbursement from the Investment Manager to enable the Fund to meet the target distribution.

	2023	2022
	\$	\$
Reimbursement from Investment Manager	5,434	7,265
	5,434	7,265
	5,434	7,265

NOTE 6: CASH AND CASH EQUIVALENTS

Cash at bank

	2023	2022
	\$	\$
Macquarie Bank	20,139	26,397
	20,139	26,397
	20,139	26,397

NOTE 7: INVESTMENTS

(a) Investment Held

As at the end of financial year, the loan to the borrower is detailed in table below:

Borrower	Freedom Wealth Services Pty Ltd
Drawdown Dates	4 February 2021 (\$890,000) and 05 August 2021 (\$30,000)
Loan Outstanding	\$ 920,000
Interest Rate	10% p.a.
Interest Period	Monthly, Paid on Last day of each Interest Period
Minimum Term	The minimum term is ten years from each drawdown

	2023	2022
	\$	\$
Loan – Freedom Wealth Services	920,000	920,000
	920,000	920,000
	920,000	920,000

FREEDOM INCOME FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 7: INVESTMENTS (continued)

(b) Accrued Interest Income

	2023	2022
	\$	\$
Accrued Interest income	7,562	-
	7,562	-
	7,562	-

NOTE 8: SUNDRY DEBTORS

	2023	2022
	\$	\$
Contribution from Investment Manager	4,329	6,173
Reduced input tax credit receivable	1,183	1,371
	5,512	7,544
	5,512	7,544

NOTE 9: OTHER EXPENSES PAYABLE

	2023	2022
	\$	\$
Tax Return Fee Payable	2,838	3,500
Other accrued expenses	284	350
	3,122	3,850
	3,122	3,850

NOTE 10: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(a) Issued units in \$

	2023	2022
	\$	\$
Opening balance	938,393	938,393
Closing balance	938,393	938,393
	938,393	938,393

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

	2023	2022
	\$	\$
Opening balance	-	-
Net profit attributable to unitholders	46,920	46,920
Distributions paid	(46,920)	(46,920)
Closing balance	-	-
	-	-

Withholding taxes were not applicable to the distributions paid or payable during the 2023 financial year. Total distributions paid or payable for the financial year were \$46,920 (2022: \$46,920).

NOTE 10: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)

FREEDOM INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

(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 making loans to borrower to purchase the Client Book of Logic Financial Services Pty Ltd, a related party financial planning company and provide business loans to third party professional services businesses, including financial planning businesses and registered tax agents.

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 Fund is Vasco Custodians Pty Ltd.

Fees of \$25,000 (2022: \$25,000) (plus GST) were paid or payable by the Investment Manager to Vasco Custodians Pty Ltd for its role as Trustee for the period 1 July 2022 to 30 June 2023.

In accordance with the Information Memorandum of the Fund the trustee fees are apportioned pro-rata across the total asset value of each investment option.

(b) Investment Manager

The Investment Manager of the Fund is Freedom Term Investments and Fixed Income Pty Ltd.

The Investment Manager is entitled to an annual fee of 1% p.a. of the gross asset value of the Fund. Establishment fee paid by the Investment Manager is recoverable from the Fund, this is apportioned pro-rata across each Investment Option based on the gross asset value referable to each Investment Option and amortised over a suitable number of years. As the Fund had not generated sufficient income to meet the target distribution, there was no Investment manager fee paid during the financial year.

The Investment Manager is also entitled to the performance fee equal to the annual net profit of the Fund, provided target Income Return has been met for all Investors in the Fund. This is Calculated and paid to the Investment Manager annually in arrears from the assets of the Fund.

(c) Administration Manager

The Administration Manager of the Fund is Vasco Fund Services Pty Ltd.

Administration fees of \$21,525 (2022: \$20,500) (plus GST) were paid or payable by the Fund to Vasco Fund Services Pty Ltd for its role as Administration Manager of the Fund for the period 1 July 2022 to 30 June 2023.

In accordance with the Information Memorandum of the Fund the administration fees are apportioned pro-rata across the total asset value of each investment option.

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

FREEDOM INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 11: RELATED PARTY TRANSACTIONS (continued)

(d) Key management personnel

The Fund does not employ personnel in its own right. However, it has an incorporated Trustee, Vasco Custodians Pty Ltd, and an Investment Manager, Freedom Term Investments and Fixed Income 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 12: CONTINGENT LIABILITIES

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

NOTE 13: EVENTS SUBSEQUENT TO REPORTING DATE

There have been no other 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 property 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.

(b) Default and Credit Risk

There is a risk that the Borrower may not be able to meet its financial obligations under the loan. This may be for a wide range of reasons, including a change in the individual financial or other circumstances of the Borrower or a change in the economic climate generally. In addition, the ability of the Fund to recover any of its investments may be impacted by and subject to the rights of other secured lenders. This means that where a senior debt lender has priority in respect of funds generated by the projects invested into by a borrower, there may not be sufficient funds to repay the Fund's investment after repayment of the senior debt facility.

Credit risk is the risk that counterparty fails to discharge an obligation to the Fund. The Fund is exposed to this risk for various financial instruments, for example, placing money at financial institutions or loan interest 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.

The Investment Manager manages the exposure to credit risk on an ongoing basis.

To date, the Fund has made a loan to a single borrower Freedom Wealth Services Pty Ltd. The loan is secured by a general security agreement over all presently and future acquired property of the Borrower.

FREEDOM INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 14: FINANCIAL RISK MANAGEMENT (continued)

(c) Valuation risk

The valuation of the security property for the Loan may be inaccurate or not accurately reflect its true value at the time the valuation is undertaken. If the valuation of the security property for a Loan is incorrect, then the amount realised on the sale of a security property may not cover the amount lent to the Borrower.

(d) Return risk

The Fund seeks to deliver returns (primarily income) to Investors. The Fund is targeting returns which are higher than interest paid on basic deposit products. However, Investors should note that an investment in the Fund is not an investment in an ADI (such as a bank) regulated by APRA and an investment in the Fund carries more risk than an investment in a bank. As a general rule, higher potential returns have higher levels of uncertainty (high-risk) than investments with lower potential returns and low levels of uncertainty (low-risk).

The Target Return is not a forecast but an objective. The Fund may not be successful in meeting this objective and returns are not guaranteed.

None of the Trustee, the Investment Manager nor any other person or entity guarantees any income or return from an investment of the Fund.

(e) Concentration risk

The Fund intends to make a single loan to the Borrower. The performance of the Fund will be determined by the ability of the Borrower to pay interest and repay capital in accordance with the terms of the loan. Whilst there will be no diversification amongst borrowers, and initially the capital lent to the Borrower will be used to acquire the Client Book, if sufficient capital is raised then the Borrower may be able to diversify its investments.

NOTE 15: 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

FREEDOM INCOME FUND

DIRECTORS' DECLARATION

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

- (a) The financial statements and notes of Freedom Income 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 2023 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 Freedom Income 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

14 August 2023