



VASCO CASH ENHANCED FUND

ABN 71 964 253 466

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2022

VASCO CASH ENHANCED FUND
TRUSTEE REPORT
FOR THE YEAR ENDED 30 JUNE 2022

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 2022.

1. Directors of Vasco Custodians Pty Ltd for the reporting period

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 2022 there were two unit classes in the Fund. The Fund issued the first units of Class A on the commencement date of 5 April 2017. The Fund issued the first units of Class B on 29 January 2021.

3. Operating Results

The operating profit of the Fund for the financial year ending 30 June 2022 was \$76,992 (2021: \$44,865).

4. Review of Operations

Since inception the Fund has issued 100,035,073 units. Of these 12,835,888 units in total have been redeemed. Distributions of \$161,662 were reinvested in the Fund.

During the financial year, 504,365 units have been issued in Unit Class A of which 4,365 units have resulted from the reinvestment of distributions. Of these, 400,335 units have been redeemed.

During the financial year, 41,895,166 units have been issued in Unit Class B of which 64,205 units have resulted from the reinvestment of distributions. Of these, 6,312,247 units have been redeemed.

As at 30 June 2022, the Fund held the following investments:

Investment	2022 Value \$	2022 %	2021 Value \$	2021 %
State Street Floating Rate Fund	6,778,049	7.83	6,905,949	13.44
Macquarie Income Opportunities Fund	3,165,162	3.65	3,373,195	6.56
Term deposits	69,208,394	79.91	30,401,764	59.15
Cash at bank	7,461,653	8.61	10,719,157	20.85
Total	86,613,258	100.00	51,400,065	100.00

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4. Review of Operations (continued)

As at 30 June 2022, the Fund held Term Deposits with the following financial institutions:

Financial Institution	2022 Value \$	2022 %	2021 Value \$	2021 %
Macquarie Bank	5,400,000	7.80	4,400,000	14.47
People's Choice Credit Union	9,501,984	13.72	5,000,000	16.45
Judo Bank	12,001,764	17.34	5,001,764	16.45
Heritage Bank	11,042,282	15.96	11,000,000	36.18
Suncorp Bank	14,012,364	20.25	-	-
Great Southern Bank	10,500,000	15.17	-	-
ME Bank	5,500,000	7.95	5,000,000	16.45
AMP Bank	1,250,000	1.81	-	-
Total	69,208,394	100.00	30,401,764	100.00

As at 30 June 2022, the average days maturity of the term deposits were 113 days (2021: 138 days).

5. Review of Performance

Unit Class	2022 % p.a.	2021 % p.a.
Class A	0.09	0.11
Class B	0.09	0.25

6. Unit Redemption Prices

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

Class A	2022 \$	2021 \$
At 30 June	1.00	1.00
High during year	1.00	1.00
Low during year	1.00	1.00

Class B	2022 \$	2021 \$
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.

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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 \$68,570 had been reinvested into the Fund for the financial year. As the Fund had distributed all taxable income of FY2022 between July 2021 and May 2022, no distribution was declared for June 2022.

8. Applications Held

At 30 June 2022, the value of pending unit allocations was nil.

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, 12,835,888 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 \$86,853,059 (2021: \$51,500,114). The Net Asset Value at the end of the reporting period was \$86,784,989 (2021: \$51,426,379).

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
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16. Indemnifying Officers or Auditor

During or since the end of the financial year, the Trustee has paid insurance premiums to insure each of the aforementioned Directors as well as officers of the Trustee against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of the Trustee, other than conduct involving a willful breach of duty in relation to the Trustee.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Trustee has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify an officer or auditor of the Trustee or of any related body corporate against a liability incurred as such an officer or auditor.

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

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 \$332,014 (plus GST) (2021: \$105,475, 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 2022, 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 82,702,047 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.

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


Craig Dunstan

Director

Date: 29 September 2022



**Building a better
working world**

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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 2022, 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
29 September 2022

VASCO CASH ENHANCED FUND

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022**

	Notes	2022 \$	2021 \$
Investment income			
Interest income measured at amortised cost	2 (a)	404,178	69,508
Distribution income	2 (b)	65,060	110,654
Net loss in fair value of financial assets through profit or loss	5	(335,933)	(78,349)
Total investment income		133,305	101,813
Expenses			
Management fees	3	332,014	105,475
Other expenses	4	60,232	29,822
Total operating expenses before finance costs		392,246	135,297
Net operating profit before finance costs		(258,941)	(33,484)
		2022 \$	2021 \$
Finance costs attributed to unitholders			
Distributions to unitholders		(69,399)	(44,865)
Change in net assets attributable to unitholders		328,340	78,349
Total comprehensive income for the year		-	-

The accompanying notes form part of these financial statements

VASCO CASH ENHANCED FUND
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	2022 \$	2021 \$
Current assets			
Cash and cash equivalents	6 (a)	7,461,653	10,719,158
Term deposits	6 (b)	69,208,394	30,401,764
Sundry debtor	6 (c)	18,517	7,390
Investment assets	7 (a)	9,943,211	10,279,144
Accrued investment income	7 (b)	221,284	92,658
Total current assets		86,853,059	51,500,114
Total assets		86,853,059	51,500,114
Liabilities			
Fees payable	8	52,943	54,908
Other expenses payable	9	8,592	6,591
Distribution payable	10 (b)	-	10,283
Withholding tax payable		6,535	1,953
Total liabilities		68,070	73,735
Net assets attributable to unitholders		86,784,989	51,426,379

The accompanying notes form part of these financial statements

VASCO CASH ENHANCED FUND

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022**

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 2022

	Notes	2022 \$	2021 \$
Cash flows from operating activities			
Interest received		176,703	23,781
Distribution income received		107,279	68,900
Management fees paid		(336,979)	(66,895)
Payment of other operating expenses		(66,047)	(16,231)
Cash paid to ATO for withholding tax from distributions		(6,840)	(809)
Net cash provided by/ (used in) operating activities		(125,884)	8,746
Cash flows from investing activities			
Payment for purchase of investments		-	(9,365,000)
Payment for term deposits		(48,150,000)	(30,250,000)
Cash received from maturity of term deposits		9,400,000	500,000
Net cash (used in) investing activities		(38,750,000)	(39,115,000)
Cash flows from financing activities			
Proceeds from issue of units		42,330,961	52,842,450
Payment for redemption of units		(6,712,581)	(3,527,480)
Net cash provided by financing activities		35,618,380	49,314,970
Net increase/ (decrease) in cash and cash equivalents		(3,257,504)	10,208,716
Cash and cash equivalents at the beginning of year		10,719,157	510,441
Cash and cash equivalents at the end of year	6 (a)	7,461,653	10,719,157

The accompanying notes form part of these financial statements

VASCO CASH ENHANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

These general purpose financial statements have been prepared in compliance with the requirements of the Corporations Act 2001 and Australian Accounting Standards – Simplified Disclosures. The Fund is a for-profit entity for the purposes of preparing these financial statements.

The financial statements were approved by the Board of Directors of the Trustee on 29 September 2022.

(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 2022

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 2022

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) Expenses

Fees are recognised on an accrual basis. Refer to Note 3 for management fees and Note 4 for other expenses.

(k) Distribution to Unitholders

Distributions are presented in the Statement of Profit or loss and other comprehensive income for the year ended 30 June 2022. The Fund's Trust Deed has no contractual obligation for the Trustee to distribute income to unitholders.

(l) 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 2021 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 2022, 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.

VASCO CASH ENHANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 2: INVESTMENT INCOME

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

(a) Bank interest

	2022	2021
	\$	\$
Bank interest	404,178	69,508
	<u>404,178</u>	<u>69,508</u>

Cash on deposit is held in a Macquarie Bank cash management account (AUD). As at 30 June 2022, the interest rate is 0.25% p.a. The balance also includes the interest from Term Deposits.

(b) Distribution income

	2022	2021
	\$	\$
Macquarie Income Opportunities Fund	32,655	84,062
State Street Floating Rate Fund	32,405	26,592
	<u>65,060</u>	<u>110,654</u>

NOTE 3: MANAGEMENT FEES

	2022	2021
	\$	\$
Management fees	332,014	105,475
	<u>332,014</u>	<u>105,475</u>

In accordance with the Information Memorandum dated 29 April 2021, 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. For FY2022, the Trustee had charged lower management fees to ensure the investors received a return of 0.10% p.a. For FY2022, there is a management fee recovery balance of \$30,050 (2021: nil).

NOTE 4: OTHER EXPENSES

	2022	2021
	\$	\$
Tax return fees	2,450	1,000
Audit fees	18,000	15,000
Bank fees	90	120
Other administration expenses	29,159	9,900
GST expense (non-claimable)	10,533	3,802
	<u>60,232</u>	<u>29,822</u>

VASCO CASH ENHANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

	2022	2021
	\$	\$
Unrealised loss	335,933	78,349
	<u>335,933</u>	<u>78,349</u>

NOTE 6: CASH, CASH EQUIVALENTS AND TERM DEPOSITS

(a) Cash at bank

	2022	2021
	\$	\$
Macquarie Bank CMA	140,637	790,791
Macquarie Bank Accelerator Account	7,321,016	9,928,367
	<u>7,461,653</u>	<u>10,719,158</u>

(b) Term deposits

	2022	2021
	\$	\$
Term deposits	69,208,394	30,401,764
	<u>69,208,394</u>	<u>30,401,764</u>

(c) Sundry debtor

This is the minimum balance of \$1 to be retained in the applications bank account when the units were issued. It also includes the RITC receivable of \$18,516.

NOTE 7: INVESTMENTS

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

As at 30 June 2022 the Fund's investments comprised of:

	2022	2021
	\$	\$
Macquarie Income Opportunities Fund	3,165,162	3,373,195
State Street Floating Rate Fund	6,778,049	6,905,949
	<u>9,943,211</u>	<u>10,279,144</u>

VASCO CASH ENHANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 7: INVESTMENTS (continued)

(b) Accrued investment income

	2022	2021
	\$	\$
Opening balance	92,658	6,941
Macquarie Income Opportunities Fund	32,655	84,062
State Street Floating Rate Fund	32,405	26,592
Bank Interest -	404,178	69,508
Less investment income received/rolled to principal	(340,612)	(94,445)
Total investment income accrued	<u>221,284</u>	<u>92,658</u>

NOTE 8: FEES PAYABLE

	2022	2021
	\$	\$
Management fees payable	34,943	39,908
Audit fees payable	18,000	15,000
	<u>52,943</u>	<u>54,908</u>

NOTE 9: OTHER EXPENSES PAYABLE

	2022	2021
	\$	\$
Provision for tax return fees	3,450	1,000
Other accrued expenses	5,092	5,591
Other administration expenses	50	-
	<u>8,592</u>	<u>6,591</u>

NOTE 10: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(a) Issued units

Class A

	2022	2022	2021	2021
	Units	\$	Units	\$
Opening balance	4,393,108	4,393,108	2,160,154	2,160,154
Redemptions	(400,335)	(400,335)	(643,080)	(643,080)
Units issued – applications	500,000	500,000	2,867,500	2,867,500
Units issued – reinvestment of distributions	4,365	4,365	8,534	8,534
Closing balance	<u>4,497,138</u>	<u>4,497,138</u>	<u>4,393,108</u>	<u>4,393,108</u>

VASCO CASH ENHANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 10: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)

(a) Issued units (continued)

Class B

	2022 Units	2022 \$	2021 Units	2021 \$
Opening balance	47,119,128	47,119,128	-	-
Redemptions	(6,312,247)	(6,312,247)	(2,884,401)	(2,884,401)
Units issued – applications	41,830,961	41,830,961	49,974,951	49,974,951
Units issued – reinvestment of distributions	64,205	64,205	28,578	28,578
Closing balance	82,702,047	82,702,047	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.

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

	2022 \$	2021 \$
Opening balance	(85,856)	(7,507)
Net operating profit attributable to unitholders	69,399	44,865
Change in net assets attributable to unitholders	(328,340)	(78,349)
Distributions paid	(69,399)	(34,582)
Distributions payable	-	(10,283)
Closing balance	(414,196)	(85,856)

Total distributions for the financial year were \$69,399 (2021: \$44,865). As the Fund had distributed all taxable income of FY2022 between July 2021 and May 2022, no distribution was declared for June 2022.

Withholding taxes applicable to the distributions payable during the 2022 financial year were \$11,655 (2021: \$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 Trustee regularly reviews the performance of the Fund, including asset allocation strategies, investment and risk management.

VASCO CASH ENHANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 \$332,014 (2021: \$105,475) were paid/payable by the Fund to Vasco Custodians Pty Ltd for its role as Trustee for the period, of which \$24,901 (2021: \$7,911) is claimable by the Fund as RITC. As Trustee, Vasco Custodians Pty Ltd provides custody, investment management and fund administration services.

(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.

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.

The average days maturity of the term deposits is 113 days (2021: 138 days).

VASCO CASH ENHANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 14: FINANCIAL RISK MANAGEMENT (continued)

(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.

The table below shows the credit quality of the Fund's term deposits:

	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ and Lower	Total
	\$	\$	\$	\$	\$
30 June 2022	-	39,414,347	29,794,047	-	69,208,394
30 June 2021	-	9,400,000	21,001,764	-	30,401,764

(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

	2022	2021
	\$	\$
Profit for the year	76,992	44,865
Less: withholding tax paid	(6,840)	(2,722)
Changes in assets and liabilities:		
(Increase) in receivables	(185,256)	(87,483)
(decrease)/increase in payables	(10,780)	54,086
Cash flows from operating activities	(125,884)	8,746

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

VASCO CASH ENHANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

liability, either directly or indirectly (level 2); and

NOTE 16: FAIR VALUE MEASUREMENT (continued)

- 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 2022 and 30 June 2021.

As at 30 June 2022	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
Macquarie Income Opportunities Fund	-	3,165,162	-	3,165,162
State Street Floating Rate Fund	-	6,778,049	-	6,778,049
Total	-	9,943,211	-	9,943,211
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 2022**

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 2022 and its performance for this financial year ended on that date; and
 - (ii) Complying with Australian Accounting Standards – Simplified Disclosures 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

29 September 2022

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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 2022, 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 of the Fund is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the Fund's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards - Simplified Disclosures and the *Corporations Regulations 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.



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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 - Simplified 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.



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

- 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.

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
29 September 2022