



YHS INVESTMENT FUND

ABN 78 712 798 825

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2019

**YHS 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 YHS 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 were:

Craig Mathew Dunstan	(appointed 6 August 2009)
Fiona Jean Dunstan	(appointed 6 August 2009)
Stephen George Hawkins	(appointed 10 May 2010, 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 Fund was established on 16 July 2018 to provide Investors with an annual target income return by lending money to YHS Projects, or other related parties within the YHS Group, undertaking a broad range of property developments in Australia.

3. Operating Results

The operating profit of the Fund for the financial year ending 30 June 2019 was \$58,436. All surplus profits are payable to the Investment Manager as a performance fee. Any deficit funds will be recovered prior to a performance fee being paid.

4. Review of Operations

During the period since inception the Fund has issued 7,108,449 units, of which none have resulted from the reinvestment of distributions. No redemption of units has occurred.

Unit Class	Number of Unitholders	Currency	Minimum Term	Units Allocated
Investment Option 1	4	AUD	12 months	5,508,449
Investment Option 2	1	AUD	12 months	1,600,000
Total	5			7,108,449

As at 30 June 2019, the total loan to YHS Projects Pty Ltd was \$7,044,300. A return of 19% per annum is payable annually in arrears in respect of each financial year on the date that is 10 Business Days prior to the end of the relevant financial year. The loan term is 12 months as stated in each drawdown notice.

As at 30 June 2019 the Fund's investment was comprised of the following:

Investment	\$
Loan to YHS Projects Pty Ltd	7,044,300
Total	7,044,300

**YHS INVESTMENT FUND
TRUSTEE REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

4. Review of Operations (continued)

Vasco Funds Management Pty Limited, the Administration Manager, changed its name to Vasco Fund Services Pty Limited during the year. The Directors of the Administration Manager resolved to change the name to better reflect the activities of the company and also it is in line with industry convention. The ACN and other details remain unchanged.

5. Review of Performance

Investors can expect to receive an annual target return on their investment, as specified in the Term Sheet for the Investment Option in which they are investing, subject to the Investment Manager subsidising the return.

6. Unit Redemption Prices

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

	2019 \$	2018 \$
At 30 June	1.00	N/A
High during year	1.00	N/A
Low during year	1.00	N/A

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

7. Distributions Paid or Recommended

In accordance with the Information Memorandum of the Fund issued on 1 October 2018, distributions are declared and paid annually to investors by 30 September of each year subject to the level of income earned by the Fund, following the finalisation of the Fund's annual accounts.

Distributions will only be made from the income earned by the Fund over the course of the preceding financial year.

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

Period	Distribution
01 July 2018 to 30 June 2019	\$725,318

The total distributions declared for the financial year were \$725,318.

8. Applications Held

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

**YHS INVESTMENT FUND
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.

Investors are unable to withdraw from the Fund before the Minimum Term specified in the Term Sheet. Once the minimum term is reached, investors will be able to participate in quarterly withdrawal offers provided by the Trustee, subject to available liquidity.

Withdrawal Requests will be honoured on a quarterly basis after the end of the Minimum Investment Term, subject to available liquidity. 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.

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 \$7,897,362
The Net Asset Value at the end of the reporting period was \$7,108,449.

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.

**YHS INVESTMENT FUND
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 \$24,328 (plus GST) were accrued and paid by the Fund to the Trustee for the period. In addition fees of \$16,815 (plus GST) were accrued and paid by the Fund to the Administration Manager.

Performance fees of \$58,436 (plus GST) were accrued by the Fund, payable to the Investment Manager.

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

As at 30 June 2019, the Trustee or Investment Manager and their related parties held no units in the Fund.

19. Interests Issued in the Fund

	2019	2018
Opening Unit Balance	-	-
Units issued - applications	7,108,449	-
Closing Unit Balance	7,108,449	-

20. Number of Interests on Issue

As at 30 June 2019, the number of units on issue in the Fund was 7,108,449.

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.

**YHS INVESTMENT FUND
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', with a long horizontal flourish extending to the right.

Craig Mathew Dunstan

Director

Date: 31 July 2019

YHS 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)	2,077	-
Loan interest income	2 (b)	829,332	-
Total revenue and other income		831,409	-
Expenses			
Performance fees	3	58,436	-
Trustee fees	4	24,328	-
Administration fees	4	16,815	-
Other expenses	5	6,512	-
Total expenses		106,091	-
Net profit attributed to unitholders		725,318	-
Distributions expense		725,318	-
Total comprehensive income for the year attributable to unitholders net of distributions		-	-

The accompanying notes form part of these financial statements

YHS INVESTMENT FUND

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	Notes	2019 \$	2018 \$
Current assets			
Cash and cash equivalents	6	853,062	-
Total current assets		<u>853,062</u>	<u>-</u>
Non-current assets			
Investment assets	7 (a)	7,044,300	-
Total non-current assets		<u>7,044,300</u>	<u>-</u>
Total assets		<u>7,897,362</u>	<u>-</u>
Liabilities			
Fees payable	8	60,519	-
Other expenses payable	9	3,076	-
Distributions payable	10 (b)	725,318	-
Total liabilities		<u>788,913</u>	<u>-</u>
Net assets		<u>7,108,449</u>	<u>-</u>
Represented by:			
Issued units	10 (a)	7,108,449	-
Net assets attributable to unitholders		<u>7,108,449</u>	<u>-</u>

The accompanying notes form part of these financial statements

YHS 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.

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

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Bank interest		2,077	-
Loan interest		829,332	-
Fees paid		(39,060)	-
Other expenses		(3,436)	-
Net cash provided by/(used in) operating activities		<u>788,913</u>	<u>-</u>
Cash flows from investing activities			
Payment for investment assets		(7,044,300)	-
Net cash provided by/ (used in) investing activities		<u>(7,044,300)</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from issue of units		7,108,449	-
Net cash provided by/ (used in) financing activities		<u>7,108,449</u>	<u>-</u>
Net increase/ (decrease) in cash and cash equivalents		853,062	-
Cash and cash equivalents at the beginning of year		-	-
Cash and cash equivalents at the end of year	6	<u><u>853,062</u></u>	<u><u>-</u></u>

The accompanying notes form part of these financial statements

YHS 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 YHS 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 YHS Capital 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*. YHS 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 31 July 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.

YHS 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.

YHS INVESTMENT FUND

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 YHS Investment Fund commenced operations in this financial year, there are no 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.

YHS INVESTMENT FUND

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

NOTE 2: REVENUE

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

(a) Bank interest

	2019	2018
	\$	\$
Bank interest	2,077	-
	<u>2,077</u>	<u>-</u>

Cash on deposit is held in a Macquarie Bank cash management account (AUD). The interest rate paid by Macquarie to 6 June 2019 was 1.30% p.a paid monthly on balances greater than \$5,000. From 7 June 2019 the interest rate has been 1.05%. The Fund has been able to obtain a higher return from Macquarie, amounting to an extra 0.25% pa.

(b) Loan interest income

	2019	2018
	\$	\$
Loan to YHS Projects Pty Ltd		
As at 30 June 2019, the total loan to YHS Projects Pty Ltd was \$7,044,300. The loan term is 12 months as stated in each drawdown notice. Interest is payable annually in arrears in respect of each financial year on the date that is 10 Business Days prior to the end of the relevant financial year. A return of 19% p.a. is payable on the amount invested. Loan interest income of \$829,332 was received on 21 June 2019.	829,332	-
	<u>829,332</u>	<u>-</u>

NOTE 3: PERFORMANCE FEES

	2019	2018
	\$	\$
Performance fees	58,436	-
	<u>58,436</u>	<u>-</u>

In accordance with the Information Memorandum of the Fund, the Investment Manager is entitled to a performance fee equivalent to all surplus funds generated by the Fund after all fees, expenses, returns of capital and distributions are paid by the Fund. The performance fee is calculated and payable to YHS Capital Pty Ltd.

YHS INVESTMENT FUND

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

NOTE 4: TRUSTEE AND ADMINISTRATION FEES

	2019	2018
	\$	\$
Trustee fees	24,328	-
Administration fees	16,815	-
	<u>41,143</u>	<u>-</u>

In accordance with the IM of the Fund the Trustee is entitled to a one-off establishment fee of \$19,500, payable on establishment of the Fund. The Trustee is also entitled to trustee fees, equal to 0.1% (plus GST) of the gross asset value of the Fund, paid monthly in arrears, subject to a minimum fee of \$25,000 (plus GST).

The Administration Manager is entitled to a fee of \$15,000 p.a. (plus GST) where the Fund has gross assets of less than \$20 million and less than 25 unitholders. For each subsequent investment option added, there will be an additional \$5,000 charged. These fees are increased annually by 5% per annum on 1 January. The annual administration fee of the Fund is now \$21,000.

NOTE 5: OTHER EXPENSES

	2019	2018
	\$	\$
Tax return fees	2,300	-
Bank fees	70	-
GST expense (non-claimable)	3,102	-
Administration expenses	1,018	-
Withholding tax expenses	22	-
	<u>6,512</u>	<u>-</u>

NOTE 6: CASH AND CASH EQUIVALENTS

Cash at bank

	2019	2018
	\$	\$
Macquarie Bank	853,062	-
	<u>853,062</u>	<u>-</u>

YHS INVESTMENT FUND

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

NOTE 7: INVESTMENTS

(a) Investment assets

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

	2019	2018
	\$	\$
Loan to YHS Projects Pty Ltd	7,044,300	-
	7,044,300	-
	7,044,300	-

(b) Accrued investment income

	2019	2018
	\$	\$
Loan to YHS Projects Pty Ltd		
As at 31 May 2019, the total loan to YHS Projects Pty Ltd was \$7,044,300. The loan term is 12 months as stated in each drawdown notice. A return of 19% p.a. is payable on the amount invested.	829,332	-
Less received	(829,332)	-
Total accrued investment income	-	-
	-	-

NOTE 8: FEES PAYABLE

	2019	2018
	\$	\$
Trustee fees payable	2,083	-
Performance fees payable	58,436	-
	60,519	-
	60,519	-

NOTE 9: OTHER EXPENSES PAYABLE

	2019	2018
	\$	\$
Provision for tax and audit fees	2,300	-
RITC receivable	(5,506)	-
Other accrued expenses	6,282	-
	3,076	-
	3,076	-

YHS INVESTMENT FUND

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

NOTE 10: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(a) Issued units in \$

	2019	2018
	\$	\$
Opening balance	-	-
Units issued – applications	7,108,449	-
Closing balance	7,108,449	-

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	-	-
Net operating profit/(loss) attributable to unitholders	725,318	-
Distributions payable	(725,318)	-
Closing balance	-	-

Withholding taxes applicable to the distributions payable during the 2019 financial year were \$27,650. Total distributions payable for the financial year were \$725,318.

(c) Capital management

The Fund regards total equity as capital. The objective of the Fund is to provide unitholders with an annual target income return by lending money to YHS Projects or other related parties within the YHS Group.

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 YHS Investment Fund is Vasco Investment Managers Limited.

Fees of \$24,328 (plus GST) were accrued and paid by the Fund to Vasco Investment Managers Limited for its role as Trustee for the period, of which \$1,338 is claimable by the Fund as RITC.

(b) Investment Manager

The Investment Manager of the YHS Investment Fund is YHS Capital Pty Ltd.

As at 30 June 2019, \$58,436 (plus GST) has been accrued as performance fees.

YHS INVESTMENT FUND

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

NOTE 11: RELATED PARTY TRANSACTIONS (continued)

(c) Administration Manager

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

The Administration Manager is a related party of the Trustee.

Administration fees of \$16,815 (plus GST) were accrued and paid by the Fund to Vasco Fund Services Pty Limited for its role as Administration Manager of the Fund, of which \$1,261 is claimable by the Fund as RITC.

(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, YHS Capital 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 loans for property development 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.

YHS INVESTMENT FUND

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

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 and loan assets recognized at the reporting date.

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

To date, the Fund has made a loan to a single borrower YHS Projects Pty Ltd.

The loan is secured by a General Security Agreement with a Purchase Money Security Interest. Generally speaking, this provides security over all the presently acquired and future acquired property of the Borrower, plus provides a specific security over any assets purchased by the Borrower using the monies loaned.

NOTE 15: 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

YHS INVESTMENT FUND

DIRECTORS' DECLARATION

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

- (a) The financial statements and notes of YHS 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 YHS 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

31 July 2019