



**GAC PROPERTY INCOME  
MORTGAGE FUND**

ABN 32 136 727 191

FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2017

# GAC PROPERTY INCOME MORTGAGE FUND

## TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2017

The Directors of the Trustee, Vasco Investment Managers Limited, present their report on the GAC Property Income Mortgage Fund ('the Fund') for the year ended 30 June 2017.

### 1. Directors

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

Craig Mathew Dunstan (appointed 6 August 2009)

Fiona Jean Dunstan (appointed 6 August 2009)

Stephen George Hawkins (appointed 10 May 2010)

Jonathan William Martin (appointed 6 August 2009)

The Directors have been in office since the establishment of the Fund to the date of this report unless otherwise stated.

### 2. Principal Activities

The principal activities of the Fund are to produce fixed income returns for Investors by making loans to the Golden Age Development Group to be used to finance a number of Golden Age development projects.

The Fund was established on 13 June 2016. As the Fund commenced operations this financial year, there is no comparative information.

### 3. Operating Results

The Net Operating Profit of the Fund for the financial year ending 30 June 2017 was \$684,304, payable to the Investment Manager as a performance fee.

### 4. Distributions Paid or Recommended

Distributions are payable 10 business days after calculation on the Distribution Date as shown in the Review of Operations.

The following distributions have been paid to 30 June 2017:

Period	Distribution Paid	Withholding Tax
31 December 2016	AU\$35,616 & US\$9,731	AU\$2,326 & US\$973

The total distributions declared for the financial year were AU\$35,616 and US\$9,731.

# GAC PROPERTY INCOME MORTGAGE FUND

## TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2017

### 5. Review of Operations

During the period since inception the Fund issued 16,231,170 units.

Unit Class	Currency	Unitholder Number	Distribution Date	Units Allocated	Value of Units
AD	AUD	4	31 Dec	3,500,000	3,500,000
DD	AUD	3	31/12/2019	11,081,170	11,081,170
S1A	AUD	1	31 Dec	500,000	500,000
S1D (Wealthlink)	AUD	1	Settlement of property	550,000	550,000
<b>Total AUD</b>		<b>9</b>		<b>15,631,170</b>	<b>15,631,170</b>
USAD	USD	1	31 Dec	600,000	600,000
<b>Total USD</b>		<b>1</b>		<b>600,000</b>	<b>600,000</b>

Redemptions are not available for the initial two years. All redemption requests following that period are subject to available liquidity. Where total redemption requests exceed available liquidity, redemptions will be funded on a pro rata basis.

### 6. 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.

### 7. After Balance Date Events

No matters or circumstance 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.

### 8. Future Developments

There are no future developments to report on.

### 9. Environmental Issues

The Fund complied with all environmental regulations during the course of the financial year.

### 10. 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.

## **GAC PROPERTY INCOME MORTGAGE FUND**

### **TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2017**

#### **10. Indemnifying Officers or Auditor (continued)**

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.

#### **11. 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.

#### **12. Proceedings on Behalf of the Fund**

No person has applied for leave of court to bring proceedings on behalf of the Fund or 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. The Fund was not a party to any such proceedings during the period.

#### **13. Fees, Commissions or other charges by the Trustee or Related Parties of the Trustee**

Fees of \$21,505 (plus GST) were accrued and paid by the Fund to Trustee for the period. In addition fees of \$43,849 (plus GST) were accrued and paid by the Fund to the Administration Manager.

#### **14. Units held by the Trustee, Investment Manager or Related Parties**

At 30 June 2017, the Trustee and its related parties held no units in the Fund.

#### **15. Interests Issued in the Fund**

During the financial year 16,231,170 units were issued.

#### **16. Buy Back Arrangements**

As detailed in the Fund 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.

Redemptions are not available for the initial two years. All redemption requests following that period are subject to available liquidity. Where total redemption requests exceed available liquidity, redemptions will be funded on a pro rata basis.

#### **17. Value of Scheme Assets**

The Gross Asset Value of the Fund's assets at the end of the reporting period was \$17,103,769.

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**TRUSTEE REPORT  
FOR THE YEAR ENDED 30 JUNE 2017**

**18. Number of Interests on Issue**

At 30 June 2017, the number of units issued in the Fund was 16,231,170.

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



**Craig Mathew Dunstan**

Director

Date: 20 September 2017

## GAC PROPERTY INCOME MORTGAGE FUND

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$	2016 \$
<b>Revenue and other income</b>			
Bank interest	2 (b)	7,516	-
Bank commission rebate	2 (b)	1,141	-
Loan interest income	3 (a)	820,010	-
<b>Total revenue and other income</b>		<b>828,667</b>	<b>0</b>
<b>Expenses</b>			
Administration expenses			
Performance fees	7	684,304	-
Trustee fees	8	21,506	-
Administration fees	8	43,849	-
Other administration expenses	9	30,724	-
Realised (gain)/loss on foreign currency	10	25	-
<b>Total expenses</b>		<b>780,408</b>	<b>0</b>
<b>Total operating income for the period attributable to unitholders before tax</b>		<b>48,259</b>	<b>0</b>
<b>Finance costs attributable to unitholders</b>			
Distributions paid to unitholders	6 (b)	<b>48,259</b>	<b>0</b>

The accompanying notes form part of these financial statements

**GAC PROPERTY INCOME MORTGAGE FUND**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

	Notes	2017 \$	2016 \$
<b>Current assets</b>			
Cash and cash equivalents	2 (a)	887,267	-
Accrued investment income	3 (a)	-	-
<b>Total current assets</b>		<b>887,267</b>	<b>0</b>
<b>Non-current assets</b>			
Investment assets	3 (b)	16,216,502	-
<b>Total non-current assets</b>		<b>16,216,502</b>	<b>0</b>
<b>Total assets</b>		<b>17,103,769</b>	<b>0</b>
<b>Liabilities</b>			
Fees payable	4	691,108	-
Administration expenses payable	5	1,997	-
Distributions payable	6 (b)	-	-
Withholding tax payable		-	-
<b>Total liabilities</b>		<b>693,105</b>	<b>0</b>
<b>Net assets</b>		<b>16,410,664</b>	<b>0</b>
<b>Represented by:</b>			
Issued capital - AD (AUD)		3,500,000	-
Issued capital - DD (AUD)		11,081,170	-
Issued capital - S1A (AUD)		500,000	-
Issued capital - S1D (AUD)		550,000	-
Issued capital - USAD (USD)		779,494	-
<b>Net assets attributable to unitholders</b>		<b>16,410,664</b>	<b>0</b>

The accompanying notes form part of these financial statements

**GAC PROPERTY INCOME MORTGAGE FUND**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Bank interest and commission rebate		8,657	-
Loan interest received		820,010	-
Fees paid		(58,550)	-
Establishment costs		(23,039)	-
Tax paid		(5,326)	-
Other expenses		(386)	-
Net cash provided by/(used in) operating activities	11	<b>741,364</b>	<b>0</b>
<b>Cash flows from investing activities</b>			
Payment for investment assets		(16,216,502)	-
Payment for financial assets at fair value through profit or loss		-	-
Proceeds from sale of financial assets at fair value through profit or loss		-	-
Net cash provided by/ (used in) investing activities	3(b)	<b>(16,216,502)</b>	<b>0</b>
<b>Cash flows from financing activities</b>			
Proceeds from units issue	6 (a)	16,410,664	-
Unit issue costs paid		-	-
Distributions paid	6 (b)	(48,259)	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Net cash provided by/ (used in) financing activities		<b>16,362,405</b>	<b>0</b>
Net increase/ (decrease) in cash and cash equivalents		887,267	-
Cash and cash equivalents at the beginning of year		-	-
<b>Cash and cash equivalents at the end of year</b>	2 (a)	<b>887,267</b>	<b>0</b>

The accompanying notes form part of these financial statements



**GAC PROPERTY INCOME MORTGAGE FUND**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017**

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 year.

# GAC PROPERTY INCOME MORTGAGE FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

The financial report is for the entity GAC Property Income Mortgage Fund ('the Fund') as an individual entity. The Fund is an unlisted managed investment scheme established and domiciled in Australia. The Trustee of the Fund is Vasco Investment Managers Limited, and Golden Age Capital Pty Ltd is appointed as the investment manager of the Fund.

#### Financial Reporting Framework

The Fund is not a reporting entity, because in the opinion of the directors of the Trustee, there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored, so as to specifically satisfy all of their information needs. Accordingly, this special purpose financial report has been prepared to satisfy the directors of the Trustee's reporting requirements under *Corporations Act 2001*.

#### Basis of Preparation

The financial report is a special purpose financial report that has been prepared in accordance with the recognition and measurement requirements of all Australian Accounting Standards (including Australian Accounting Interpretations), and the disclosure requirements of AASB 101: Presentation of Financial Statements, AASB 107: Statement of cash flows and AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors.

The functional and presentation currency of the Fund is Australian dollars.

#### 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.

##### *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.

# GAC PROPERTY INCOME MORTGAGE FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (a) Financial instruments (Continued)

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.

#### (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 GAC Property Income Mortgage Fund commenced operations this financial year, there are no comparative numbers for the year ending 30 June 2016.

#### (f) Foreign Exchange

Items included in the financial records are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in Australian dollars, which is the presentation currency of the Fund.

The financial position and performance of foreign operations with a functional currency other than Australian dollars are translated into the presentation currency, using the exchange rate prevailing at the dates of the report from ANZ Bank (US\$1 equals AU\$0.76973). The assets, liabilities and equity items are translated using reporting date exchange rates.

## GAC PROPERTY INCOME MORTGAGE FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### NOTE 2: CASH AND CASH EQUIVALENTS

##### (a) Cash at bank

	2017	2016
	\$	\$
Macquarie Bank	839,118	-
ANZ Bank	48,149	-
	<u>887,267</u>	<u>0</u>

##### (b) Bank interest income and commission rebate

Cash on deposit is held in a Macquarie Bank cash management account (AUD) and ANZ Banking Group foreign currency account (USD). Current interest rate paid by Macquarie Bank is 1.40% pa paid monthly. We have been able to obtain a higher return from Macquarie which appears in the bank statement as a commission rebate, amounting to an extra 0.25% pa. ANZ does not pay interest on USD accounts.

#### NOTE 3: INVESTMENT ASSETS

##### (a) Investment income

A return of 15% p.a. is payable on the amount invested. Interest is reconciled and payable quarterly. Interest payable on the loan is AU\$584,137 and US\$22,307 as at 30 June 2017.

##### (b) Investment held

As at 30 June 2017, the total loans to Golden Age Enterprises Pty Ltd were AU\$15,450,000 and US\$590,000. The investment has a potential term of 5 years.

#### NOTE 4: FEES PAYABLE

	2017	2016
	\$	\$
Trustee fees payable	2,083	-
Administration fees payable	4,721	-
Performance fees payable	684,304	-
	<u>691,108</u>	<u>0</u>

#### NOTE 5: ADMINISTRATION EXPENSES PAYABLE

	2017	2016
	\$	\$
Administration expense payable	31	-
GST payable/(receivable)	(2,069)	-
Provision for tax return fees	3,050	-
Other accrued fees	985	-
	<u>1,997</u>	<u>0</u>

## GAC PROPERTY INCOME MORTGAGE FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### NOTE 6: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	2017	2016
<b>(a) Issued units</b>		
Opening balance	-	-
Redemptions	-	-
Units issued – applications	16,231,170	-
Units issued – reinvestment of distributions	-	-
Closing balance	<u>16,231,170</u>	<u>0</u>

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

	2017	2016
	\$	\$
Opening balance	-	-
Operating profit/(loss) before finance costs attributable to unitholders	48,259	-
Distributions paid	(48,259)	-
Distributions payable	-	-
Closing balance	<u>0</u>	<u>0</u>

Withholding taxes applicable to the distributions paid during the 2017 financial year were AU\$2,326 and US\$973.

The total distributions for the financial year were \$48,259.

#### **(c) Capital management**

The Fund regards total unitholders' interests as its capital. The objective of the Fund is to provide unitholders with income distributions. The Fund aims to achieve this objective mainly through investing in a portfolio of real estate related investments in the Australian market.

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

#### NOTE 7: PERFORMANCE FEES

In accordance with the IM 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 Golden Age Capital Pty Ltd.

#### NOTE 8: TRUSTEE AND ADMINISTRATION FEES

In accordance with the IM, Vasco Investment Managers Limited as the Trustee of the Fund is entitled to an annual fee of 0.10% (plus GST) of the gross asset value of the Fund, paid monthly in arrears, subject to a minimum fee of \$25,000 (plus GST). Vasco Funds Management Pty Ltd as the Administration Manager is entitled to receive an annual Administration Fee of up to \$65,000 (plus GST) subject to an annual increase of 3% on 1 January each year.

## GAC PROPERTY INCOME MORTGAGE FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### NOTE 9: OTHER ADMINISTRATION EXPENSES

	2017	2016
	\$	\$
Tax return fees	3,050	-
Establishment fees	23,040	-
Other administration expenses	1,377	-
GST expense (non-claimable)	3,257	-
	<u>30,724</u>	<u>0</u>

#### NOTE 10: REALISED (GAIN)/LOSS ON USD

Tax withheld from distributions paid in USD was converted at the ATO currency rate for payment on March 2017 quarter BAS resulting in a realised loss.

#### NOTE 11: CASH FLOW INFORMATION

Reconciliation of cash flows from operating activities with profit/ (loss) for the year

	2017	2016
	\$	\$
Profit/(loss) for the year	48,259	-
Changes in assets and liabilities:		
(Increase)/decrease in receivables	-	-
Increase/ (decrease) in payables	693,105	-
Cash flows from operating activities	<u>741,364</u>	<u>0</u>

#### NOTE 12: RELATED PARTY TRANSACTIONS

##### (a) Trustee

The Trustee of the GAC Property Income Mortgage Fund is Vasco Investment Managers Limited.

##### (b) Investment Manager

The Investment Manager of the GAC Property Income Mortgage Fund is Golden Age Capital Pty Ltd.

##### (c) Trustee fees

Fees of \$21,506 (plus GST) were accrued and paid by the Fund to Vasco Investment Managers Limited for its role as Trustee for the period, of which \$1,183 is claimable by the Fund as RITC.

## **GAC PROPERTY INCOME MORTGAGE FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

#### **NOTE 12: RELATED PARTY TRANSACTIONS (continued)**

##### **(d) Administration fees**

Administration fees of \$43,849 (plus GST) were accrued and paid by the Fund to Vasco Funds Management Pty Ltd for its role as Administration Manager of the Fund, of which \$3,287 is claimable by the Fund as RITC.

##### **(e) Investment management fees**

As at 30 June 2017, an amount of \$684,304 (GST included) has been accrued as performance fees payable to the Investment Manager. No fees were paid to the Investment Manager during the year.

##### **(f) 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, Golden Age Capital Pty Ltd, to manage the activities of the Fund. The directors of the Trustee and Investment Manager are key management personnel of those respective 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 13: REMUNERATION OF AUDITORS**

For the period ended 30 June 2017 the accounts of the Fund were not subject to audit and accordingly no audit fees were paid.

#### **NOTE 14: CONTINGENT LIABILITIES**

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

#### **NOTE 15: EVENTS SUBSEQUENT TO REPORTING DATE**

As at the date of this report, there is no subsequent event to be reported.

There have been no other events subsequent to reporting date that require additional disclosure.

#### **NOTE 16: 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

## GAC PROPERTY INCOME MORTGAGE FUND

### DIRECTORS' DECLARATION

The directors of Vasco Investment Managers Limited, the Trustee, have determined that the Fund is not a reporting entity and that these special purpose financial statements should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of Vasco Investment Managers Limited, the Trustee, declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the Fund's financial position as at 30 June 2017 and of its performance for the period ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors of Vasco Investment Managers Limited by:



**Craig Mathew Dunstan**

Director

20 September 2017