

# VERTUA OPPORTUNITIES FUND

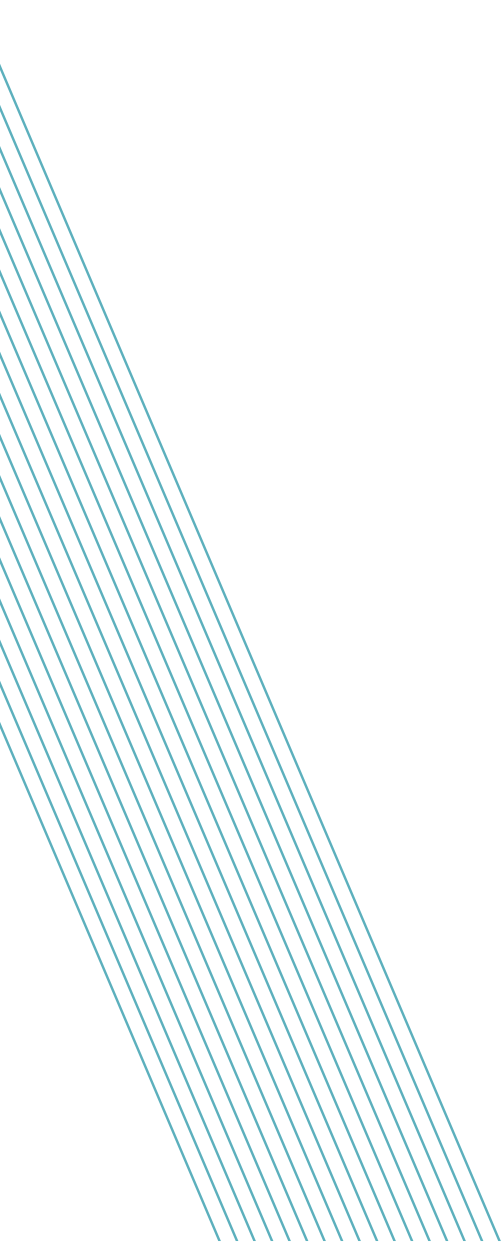
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**ANNUAL REPORT**  
30 JUNE 2020

ABN 84 129 409 279  
[opportunities.vertua.com.au](http://opportunities.vertua.com.au)



VERTUA  
FUNDS MANAGEMENT



Vertua Opportunities Pty Ltd  
ACN 617 079 419  
AS TRUSTEE FOR THE  
VERTUA OPPORTUNITIES FUND  
ABN: 84 129 409 279

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Level 5  
97 Pacific Highway  
NORTH SYDNEY  
NSW 2060  
AUSTRALIA

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## KEY FINANCIAL RESULTS

### PROFIT

2020	2019	YEAR ON YEAR CHANGE
EBITDA \$2,049,069	EBITDA \$2,064,236	(1) %
PROFIT \$815,375	PROFIT \$1,031,778	(21) %
FULL YEAR DISTRIBUTIONS 7 CENTS PER UNIT	FULL YEAR DISTRIBUTIONS 6 CENTS PER UNIT	17 %
VENUES OWNED/OPERATED 6	VENUES OWNED/OPERATED 4	50 %
TOTAL EMPLOYEES 70	TOTAL EMPLOYEES 88	(20) %

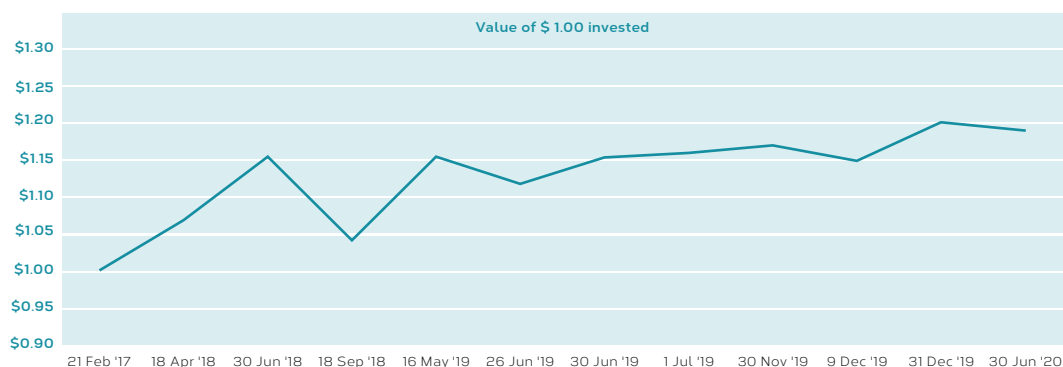
### LEVERAGE SECTION

30 Jun 20	Assets \$ 21,126,620	
	59.13 % EQUITY	40.87 % DEBT
30 Jun 19	Assets \$13,636,341	
	79.25% EQUITY	20.75% DEBT

### PERFORMANCE INDICATORS

The consequences of the Group's performance on unitholders wealth, outlined as a function of its unit price and net assets attributable to unitholders over the last 3 years is provided below:

	30 JUNE 20	30 JUNE 19	30 JUNE 18
Unit Value per unit at the end of financial year	\$1.19	\$1.19	\$1.07
Distributions paid during the year	\$0.035	\$0.03	\$ -
Increase in unit value year on year	\$0.00	\$0.12	\$0.07
Declared to be paid distribution for year	\$0.035	\$0.03	\$ -
<b>Total return per unit for year</b>	<b>\$0.07</b>	<b>\$0.15</b>	<b>\$0.07</b>

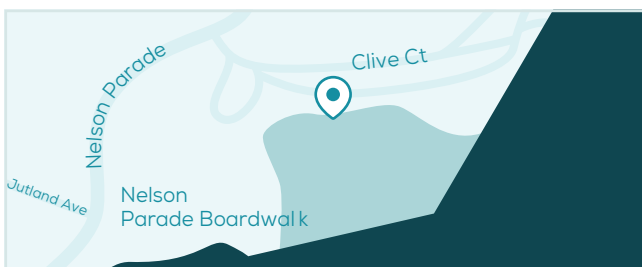


## OUR LOCATIONS



### TUROSS HEAD

The Fund purchased the Tuross Beach Holiday Park in May 2017. The holiday park is income-positive and continues to meet expected targets. This is a small leasehold caravan park located at Tuross Head, approximately 322 km south of Sydney. The property is located on absolute beachfront land, occupying 15,000m<sup>2</sup> with approval for 83 camping sites. The property has over 24 years left on the current leasehold terms.



### INVESTMENT HIGHLIGHTS



Prime beach front land on New South Wales south coast



Repositioning and redevelopment potential for the site, with pre-DA lodged with consent authorities



Growing with increased visitors year on year, post marketing plan implementation

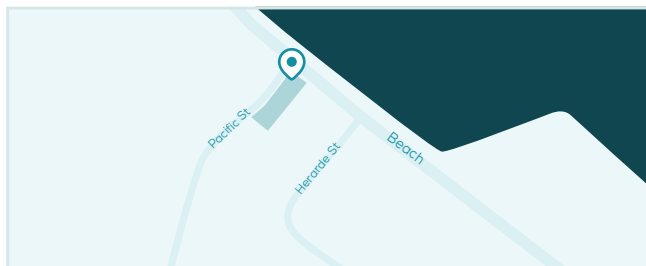


Potential for substantial lease term with public works program

## INVESTMENT OVERVIEW

### BEACH DRIVE MOTEL

The Beach Drive Motel ("the Beach Drive") was purchased by the Fund in May 2017 as a tenanted investment, being a long established 20 room motel with a good reputation within the local market. The Beach Drive is income-positive and on track to meet expected targets. This reflects a good overall perception of the property from visitors. It is located in Batemans Bay on the corner of Beach Road and Pacific Street, with a total land area of 1,615m<sup>2</sup>. Its good location helps subsequently underpin land values for the site. The property has river views and presents itself as a future redevelopment opportunity as an alternate asset use. The Beach Drive is cash-flow positive and on track to meet its target return for the Fund.



### INVESTMENT HIGHLIGHTS



Well located near marina and opposite the water



Zoning allows for future development



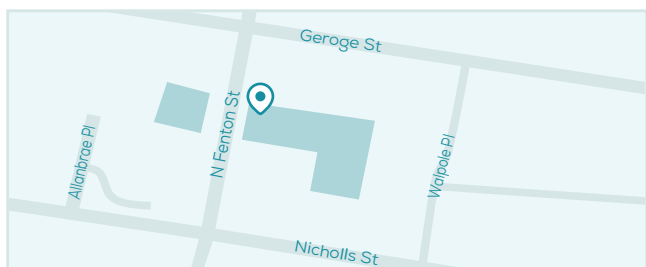
Local region underpinned by hospital and university trade



Upside on site if owner operated and small CAPEX plan initiated

### BARCLAY MOTOR INN

The Fund acquired the Barclay Motor Inn ("the Barclay") in July 2018. A new management team was hired by the Fund to manage the Barclay. The Barclay is a 25 room motel conveniently situated within walking distance to the main shopping district of Devonport Tasmania, Devonport's business district, sporting facilities and the departure/ arrival terminal of the Spirit of Tasmania. The Barclay occupies 5,500m<sup>2</sup> of land on its primary site and, in addition has a three-bedroom cottage across the road from the primary site which is used for short term tenancy. In addition to its accommodation facilities the Barclay boasts two function rooms, a half size tennis court and Devonport's only indoor heated pool.



### INVESTMENT HIGHLIGHTS



Well located near the centre of town and the spirit of Tasmania docking ports



Motel requires modest CAPEX to achieve operational efficiency (solar, heaters)



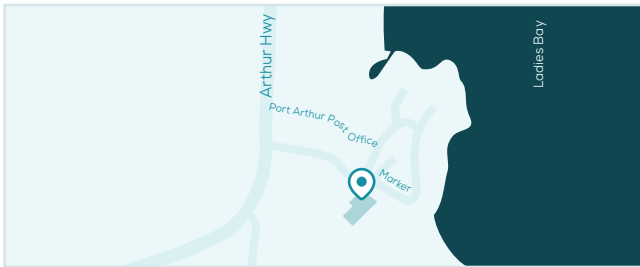
Local region underpinned by hospital and farming movements to the mainland



Future redevelopment plans for expansion of operations, with additional rooms and repositioning of existing

## STEWARTS BAY LODGE

The Stewarts Bay Lodge ("Stewarts Bay") was purchased in June 2018. The management team has been replenished with staff previously working at Stewarts Bay. Stewarts Bay is situated on 22 acres of waterfront in Port Arthur Tasmania. The neighbouring property is the Port Arthur Historic site which is one of the leading tourism sites for Tasmania. Stewarts Bay consists of 21 chalet style cabins, 19 log cabins, a tennis court, children's playground, BBQ areas, jetty, beach access and walking path directly to the historic site and a premium restaurant being Gabriel's on the Bay. Gabriel's on the Bay is a first-class restaurant catering in Tasmania's premium produce. The venue has two function rooms often booked out for a week at a time by Australia's leading business brands and local governments.



### INVESTMENT HIGHLIGHTS



Located in Port Arthur historic site, being one of Tasmania's largest tourist attractions



Management rights give a lower capital entry to site



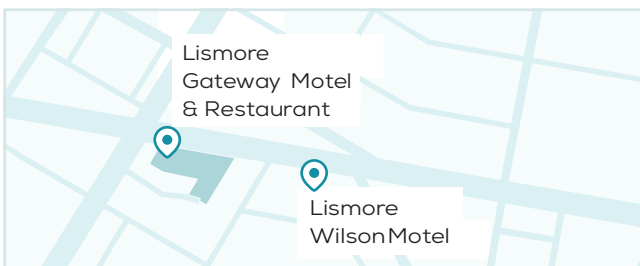
Local region underpinned by focus on tourism with additional attractions planned



Opportunity to acquire value accreditive properties to expand operations

## GATEWAY MOTEL

The Gateway Motel is a 34 room (apartments) plus a three bedroom manager's apartment near new four star motel with all the first class facilities and amenities you would expect: from designer bathrooms, to a fully licensed restaurant. A new management team has been hired by the Fund to manage the Gateway Motel. The Gateway Motel is conveniently located within 5 minutes' drive to Lismore CBD, Lismore Regional Airport and only 20 minutes' drive from Ballina. The combination of land is in excess of 7,731m<sup>2</sup> has total street frontage to Ballina Road and entry via Cathcart Street and Hayward Street.



### INVESTMENT HIGHLIGHTS



Well located in Lismore on main thoroughfare



Motel is only 7 years old reflecting minimal CAPEX requirements



Local region underpinned by hospital and university trade



Future redevelopment plans for expansion of operations

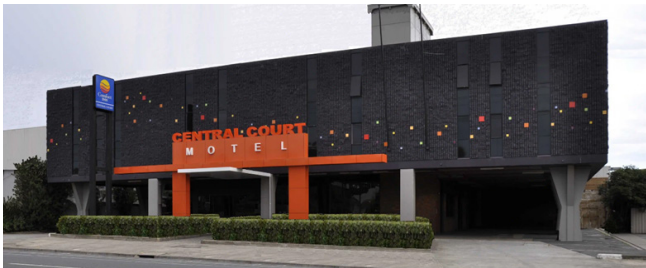
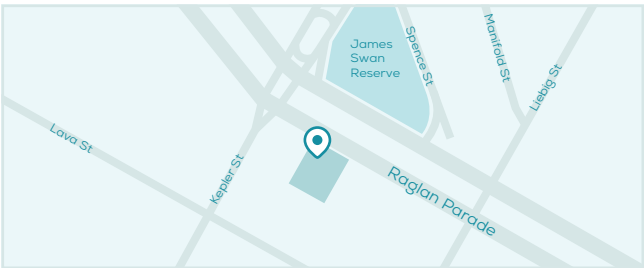
# INVESTMENT OVERVIEW

## CENTRAL COURT MOTEL

The Fund has exchanged on the Central Court Motel as an exciting opportunity for expanding its operations into Victoria. The impact of Covid-19 has presented the Fund with an opportunity to acquire the freehold. The property is a leased investment, however as part of the funds strategy, we intend to consequently acquire the leasehold as well as the freehold.

The Central Court Motel is a 40 room motel with good size rooms positioned in downtown area and near to beaches in Warrnambool, Victoria. It is the largest city in the Great Ocean Road region and Victoria's largest city outside of Phillip Bay located 263 km drive to South-East of Melbourne. Warrnambool is a highly liveable and vibrant coastal regional city with a strong track record of steady and sustained population and economic growth.

Regional Victoria currently presents a great opportunity to expand the Fund's portfolio into new state which would also have a positive effect on the Fund's diversification of risk and reward. The Fund already has an existing in-principle credit approval from the National Australia Bank to fund a part of the acquisition.



## INVESTMENT HIGHLIGHTS

 <b>Well located in Warrnambool on main thoroughfare</b>	 <b>Motel is only 7 years old reflecting minimal CAPEX requirements</b>
 <b>Local region underpinned by hospital and university trade</b>	 <b>Future redevelopment plans for expansion of operations</b>



## KEY MANAGEMENT PERSONNEL



### CHRISTOPHER BREGENHOJ

#### Chairman

Christopher is a qualified Chartered Accountant with over 30 years' experience in investment banking and private equity in Australia and Hong Kong. As an Executive Director of what is now oOh! Media, Christopher was responsible for corporate acquisitions and the in-house legal division. Ooh! Media was acquired by CHAMP Private Equity in 2012 for \$166 million.

In 2012, Christopher entered a joint venture to acquire and redevelop a property, 'Astonia'. The six apartments sold for \$44.6 million and set a lower North Shore record. Christopher sits on multiple Boards of investment banking and property development businesses.



### JAMES MANNING

#### Chief Executive Officer

James' background in property development and professional services has given him a unique insight into both practical deliverables as well as complex regulatory and cross boarder transactions.

James has completed a Master of Business (Finance) from UTS and Bachelor of Accounting from ACU. He is a Fellow of the Institute of Company Directors (FAICD), and a member of Institute of Public Accountants (IPA).



### BENJAMIN DOYLE

#### Director

Benjamin is the CEO + Founder of Fiducia Property Group. Having managed Fiducia for over 15 years, he has developed in excess of \$300 million of property developments. Ben has been recognised within the development industry through the Housing Industry Australia (HIA), having won the 2015 'NSW Development of the year sub \$5mil' category.



### DARRON WOLTER

#### Chief Operating Officer

Darron began his career in the hospitality Industry in 1987 managing Hotels in Sydney. Darron's management led to successful ownership, having purchased a hotel and 34 room motel in Far North Queensland, in addition to managing various resorts. Furthermore, Darron was the sole director of an award winning tourism business Wait a While Tours. For 10 years, Darron has owned and operated The Barn office furniture in Sydney which was sold in 2016. Darron is currently involved in multiple Management Rights Businesses in South East Queensland, and has strong operational experience in the industry.



### OLGA SHTIFELMAN

#### Fund Administrator

Olga is the Fund Administrator in Vertua Opportunities Fund. She is RG146 compliant specialist with a Human Resource Management background.

Olga has had 7 years' experience in the banking, finance and property sectors, with strong people management and organizational skills.

Olga is currently undergoing her Master's in Business Administration at the UTS Sydney.

# DIRECTOR'S REPORT

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Dear Fellow Investor,

The Directors present their report, together with the financial statements, for the consolidated entity (referred to hereafter as the ('Group')) consisting of Vertua Opportunities Pty Ltd as trustee for the Vertua Opportunities Fund (referred to hereafter as the 'Company' or 'parent entity' or 'Fund') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

## Principal activities

The Fund was established by Vertua Limited, as an unlisted Managed Investment Scheme ('MIS'), with Vertua Limited ('Vertua') as the fund manager. The Fund was established to own and operate tourism and hospitality assets throughout Australia. The Fund is focused on the acquisition of the following assets:

1. Hotels / Motels
2. Caravan Parks
3. Management rights attached to Hotels / Motels to similar operations
4. Restaurants and food / beverage operations
5. Specialist tourism assets

## Distributions

During the year, the Fund paid a distribution of \$0.035 per unit, based on the half year performance of the Fund to 31 December 2019. The Fund has managed to perform well enough through the impacts of bushfires and Covid-19 to allocate another \$0.035 per unit dividend for the full financial year.

The Fund has a Distribution Reinvestment Plan (DRP) in place established during the prior period. All unit holders were invited to participate in the program for all future dividend payments.

## Operating and financial review

The profit for the year after income tax expense came to \$815,375 (30 June 2019: profit of \$1,031,778) while the EBITDA has remained stable at \$2,049,069 (30 June 2020: \$2,064,236). The Fund continues to see the benefits associated with the increased scale of operations, however during the year the impact of bushfires and covid-19 impacted the final year results. It is the manager's opinion that the fund needs to acquire another additional asset over the next 12 months to best deliver our operational efficiencies. This includes things such as internalising central marketing and management functions, as well as increasing group buying processes.

Finally, we are seeking additional capital to expand the fund's portfolio and I am interested in meeting with any existing unit holders or new applicants who can assist in expanding the Fund.

## Matters subsequent to the end of the financial year

Since the end of the financial year and the report, The fund has entered purchase agreements for the Central Court Motel in Warnambool for further information please refer to Note E5.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's situation in future financial years.

## Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



James Manning  
Managing Director

# FIRSTEQUITY

First Equity Audit Pty Ltd  
Level 5, 97 Pacific Highway  
North Sydney, NSW, Australia 2060  
Office: +61 2 8624 6130

**AUDITOR'S INDEPENDENCE DECLARATION**  
**TO THE DIRECTORS OF VERTUA OPPORTUNITIES PTY LTD**  
**A.B.N. 84 129 409 279**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Vertua Opportunities Pty Ltd as Responsible Entity of Vertua Opportunities Fund.

As lead audit partner for the audit of the financial report of Vertua Opportunities Fund for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

**First Equity Audit Pty Limited**



**Shakeel Khan**

**Director**

Date: 25 August 2020

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Liability limited by a scheme approved under Professional Standards Legislation

# FINANCIAL STATEMENTS

## FOR THE PERIOD ENDING 30 JUNE 2020

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Consolidated		
	Note	2020 \$	2019 \$
<b>Revenue</b>			
Revenue	B2	5,020,451	4,330,398
Other Income	B2	1,432,242	1,321,378
<b>Total revenue</b>		<b>6,452,693</b>	<b>5,651,776</b>
Cost of sales	B3(i)	(876,414)	(473,945)
<b>Gross profit</b>		<b>5,576,279</b>	<b>5,177,830</b>
<b>Expenses</b>			
Management fees	B3(vi)	(150,000)	-
Professional fees	B3(ii)	(176,370)	(161,829)
Property cost		(541,123)	(518,452)
Advertising and promotion		(159,722)	(95,241)
Insurance costs		(113,763)	(63,624)
Other expenses from ordinary activities	B3(v)	(272,711)	(323,117)
Depreciation and amortisation expense	B3(iv)	(876,040)	(829,864)
Salary and wages	B3(iii)	(2,113,522)	(1,951,331)
<b>Operating profit</b>		<b>1,173,029</b>	<b>1,234,372</b>
Finance costs		(357,642)	(202,576)
<b>Profit before income tax (expense) / benefit from continuing operations</b>		<b>815,387</b>	<b>1,031,796</b>
Income tax (expense) / benefit		(12)	(18)
<b>Profit after income tax (expense) / benefit for the year</b>		<b>815,375</b>	<b>1,031,778</b>

# FINANCIAL STATEMENTS

FOR THE PERIOD ENDING 30 JUNE 2020

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Consolidated		
	Note	2020 \$	2019 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	C5	450,267	1,850,759
Trade and other receivables	C1	95,268	61,913
Inventories	C6	16,816	44,634
Other assets	C4	211,996	5,455,383
<b>Total current assets</b>		<b>774,347</b>	<b>7,412,689</b>
<b>Non-current assets</b>			
Investment properties	C2	16,686,502	10,042,995
Property, plant and equipment		122,692	-
Intangibles	C3	2,301,606	2,295,236
Right of use assets	C7	1,241,473	1,298,110
<b>Total non-current assets</b>		<b>20,352,273</b>	<b>13,636,341</b>
<b>Total assets</b>		<b>21,126,620</b>	<b>21,049,030</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	C8	145,498	166,616
Other current liabilities	C9	591,400	5,353,810
Distribution payable		377,948	286,116
Financial liabilities	C10	260,400	790,400
Provisions		72,326	70,889
<b>Total current liabilities</b>		<b>1,447,572</b>	<b>6,667,830</b>
<b>Non-current liabilities</b>			
Financial liabilities	C11	5,907,000	2,039,400
Lease liabilities	C12	1,278,827	1,306,498
<b>Total non-current liabilities</b>		<b>7,185,827</b>	<b>3,346,098</b>
<b>Total liabilities</b>		<b>8,633,398</b>	<b>10,013,928</b>
<b>Net assets</b>		<b>12,493,221</b>	<b>11,035,102</b>
<b>Equity</b>			
Ordinary units		11,653,670	10,285,700
Retained earnings		839,551	749,402
<b>Total equity</b>		<b>12,493,221</b>	<b>11,035,102</b>

# FINANCIAL STATEMENTS

## FOR THE PERIOD ENDING 30 JUNE 2020

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Consolidated		
	Issued Units \$	Retained Profits \$	Total \$
<b>Balance at 1 July 2018</b>	7,900,000	231,619	8,131,619
<b>Comprehensive income</b>			
Profit for the year	-	1,031,778	1,031,778
Profit distribution to unitholders	-	(513,994)	(513,994)
<b>Total comprehensive income for the year attributable to unitholders</b>	-	<b>749,402</b>	<b>749,402</b>
Additional units issued	2,385,700	-	2,385,700
<b>Balance at 30 June 2019</b>	<b>10,285,700</b>	<b>749,402</b>	<b>11,035,102</b>
<b>Balance at 1 July 2019</b>	<b>10,285,700</b>	<b>749,402</b>	<b>11,035,102</b>
<b>Comprehensive income</b>			
Profit for the year		815,387	815,387
Profit distribution to unitholders		(725,226)	(725,226)
<b>Total comprehensive income for the year attributable to unitholders</b>		<b>90,149</b>	<b>90,149</b>
Additional units issued			
1. Dividend reinvestment Plan	467,970		467,970
2. Capital Raises	1,000,000		1,000,000
Redemptions during year	(100,000)		(100,000)
<b>Total transactions with unitholders</b>	<b>1,367,970</b>		<b>1,367,970</b>
<b>Balance at 30 June 2020</b>	<b>11,653,670</b>	<b>839,552</b>	<b>12,493,221</b>

# FINANCIAL STATEMENTS

FOR THE PERIOD ENDING 30 JUNE 2020

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$	2019 \$
<b>Cashflow from operating activities</b>		
Receipts from customers	6,419,339	4,352,963
Payments to suppliers and employees	(5,271,528)	(3,498,761)
Cash generated from operations	1,147,811	854,202
Interest income / (expense)	(357,642)	(170,157)
<b>Net cash provided by operating activities</b>	<b>790,168</b>	<b>684,045</b>
<b>Cash flow from investing activities</b>		
Purchase of investment property	(6,105,893)	(4,348,974)
Purchase of PPE	(122,692)	-
Purchase of other assets	(6,370)	-
<b>Net cash provided by (used in) investing activities</b>	<b>(6,234,955)</b>	<b>(4,348,974)</b>
<b>Cash flow from financing activities</b>		
Distributions paid	(633,394)	(227,878)
Proceeds from issue of units	1,467,960	2,385,700
Proceeds from borrowings	3,867,400	1,610,200
Payment of borrowings	(557,671)	(260,400)
Payment for unit redemptions	(100,000)	-
<b>Net cash provide by (used in) financing activities</b>	<b>4,044,295</b>	<b>3,507,622</b>
Net increase (decrease) in cash and cash equivalents	(1,400,492)	(157,307)
Cash and cash equivalents at the beginning of year	1,850,759	2,008,066
<b>Cash and cash equivalents at the end of year</b>	<b>450,267</b>	<b>1,850,759</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE PERIOD ENDING 30 JUNE 2020

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### A ABOUT THE REPORT

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#### A1 GENERAL INFORMATION

Vertua Opportunities Fund is an unregistered Managed Investment Scheme (MIS) and is domiciled in Australia. The principle activity of the fund (**Fund or Trust**) is disclosed in the Investment Managers Letter.

The consolidated historical financial statements of Vertua Opportunities Pty Ltd (ACN 617 079 419), a company incorporated in Australia, as the trustee for the Vertua Opportunities Fund (ABN 84 129 409 279) and its controlled entities (collectively, the Consolidated Entity or Group) for the period ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors of the trustee company on 1 September 2020. The Trust is a for-profit entity.

#### Statement of Compliance

The significant accounting policies adopted in the preparation of the financial report are set out below. These policies have been applied consistently to all periods presented in the financial report. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASs) and interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. All amounts are presented in Australian Dollars, unless otherwise noted.

#### Going concern

At the date of this report the Group has a strong working capital position and its cash flow forecast indicates that it expects to be able to meet its minimum commitments and working capital requirements for the twelve month period from the date of signing the financial report.

#### Functional and Presentation Currency

The financial statements are presented in Australian dollars, which is the Trust's functional currency.

#### A2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial report are set out below. These policies have been applied consistently to all periods presented in the financial report. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### Comparative Information

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

#### Compliance with IFRS

The consolidated financial report of the Group also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### Historical cost convention

The consolidated financial report has been prepared under the historical cost convention, except for assets that are measured at fair value at the end of each reporting period. Cost is based on the fair value of the consideration given in exchange for assets.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE PERIOD ENDING 30 JUNE 2020

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### Segment Reporting

The Trust operates in one segment, being investments in the tourism and hospitality industry in Australia. The Trust has determined its one operating segment based on the internal information that is provided to the chief operating decision maker and which is used in making strategic decisions.

### Current and Non-Current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset as current when it is:

- expected to be realised or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### Critical Accounting Judgements, Estimates and Assumptions

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgements in developing and applying accounting policies

The following are the critical judgements, that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

### Estimates & Judgements

The preparation of the consolidated financial statements in conformity with IFRS requires the board to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

Management uses its judgment in selecting an appropriate valuation technique for financial instruments that are not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. Details of assumptions used and of the end results of sensitivity analyses regarding these assumptions are provided in notes. When the presentation or classification of items in the consolidated financial statements has been amended, comparative amounts are also reclassified.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE PERIOD ENDING 30 JUNE 2020

### B. TRUST PERFORMANCE

#### B1 DISTRIBUTION

During the period, the Fund made the following distributions:

	Period ended 30 June 2020 cents per unit	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 cents per unit	Period ended 30 June 2019 \$AUD
Distributions paid during the period	3.5	347,278	3	227,878
Distributions payable	3.5	377,948	3	286,115

Key dates in connection with the 30 June 2020 distribution are:

Event	Date
Ex Distribution Date	28 June 2020
Record Date	28 June 2020
Distributions payment date	September 2020

#### Distribution and taxation

Under current legislation the Trust is not subject to income tax when its taxable income (including assessable realised capital gains) is distributed in full to the unitholders. The Trust ordinarily fully distributes its distributable income, calculated in accordance with the Trust constitution and applicable taxation legislation, to the unitholders who are presently entitled to the income under the constitution.

Investments and financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised that portion of the gain that is subject to capital gains tax will be distributed to unitholders so that the Trust is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Trust to be offset against any future realised capital gains. If realised capital gains exceed realised capital losses the excess is distributed to the unitholders.

Distributions paid and payable are recognised as distributions within equity. A liability is recognised where distributions have been declared but have not been paid. Distributions paid are included in cash flows from financing activities in the consolidated statement of cash flows.

#### B2 REVENUE

	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
Sales – Accommodation and associate services	4,394,269	3,235,533
Service fee Revenue – Management Rights	626,182	1,057,337
<b>Total revenue</b>	<b>5,020,451</b>	<b>4,292,870</b>
<b>Other income</b>		
Fair Value adjustments through profit & loss	789,444	1,321,378
Other Income	642,798	43,528
<b>Total other income</b>	<b>1,432,242</b>	<b>1,364,906</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE PERIOD ENDING 30 JUNE 2020

### Policy – Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognised with reference to the completion by the Group of specific performance obligations of contracts with customers, as described below:

#### i. Sales – accommodation and associated services

The Group applies AASB 15: Revenue from Contracts with Customers effect from 1 January 2018. Revenue is recognised primarily from the sale of food, beverage and accommodation by the Group and related services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

#### ii. Service fee revenue – management rights

The Fund earns both a fixed asset-based management fees and performance driven asset management fees periodically for providing asset management services. These fees are generally recognised as revenue each period in accordance with the terms of the asset management contract.

#### iii. Other Income

Other income is recognised when it is received or when the right to receive payment is established.

#### iv. Other Income – fair value adjustments through profit and loss

The fair value method is a tax-timing method that measures a gain or loss from a financial arrangement as the change in its fair value between two points in time. The gain or loss for a particular period is the increase or decrease in its fair value between the beginning and end of the period, adjusted for amounts paid or received during the period.

The term 'fair value' is not a defined term under the tax Acts. However, AASB 139 Financial Instruments: Recognition and Measurement (AASB 139) defines fair value as 'the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction'.

#### v. Interest Income

Interest revenue is accrued on a time basis, by reference to the principle outstanding using the effective interest rate method.

## B3 EXPENSES

### Recognition and measurement

Expenses are recognised in the profit and loss statement as they accrue. Expense which the Trust has incurred but has yet to receive from a third party are accrued on a reasonable basis. Finance costs are accrued and recognised using the effective interest rate applicable to the financial liability.

I Cost of Sales	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
Cost of Goods Sold	876,414	473,945
<b>Total</b>	<b>876,414</b>	<b>473,945</b>

These amounts represent the expenses associated with the provision of the sale of food, beverage and accommodation by the Group.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE PERIOD ENDING 30 JUNE 2020

II Professional and Consultancy fees	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
Accounting & tax	144,779	105,165
Other services	10,349	7,854
Legal fees	21,242	33,808
<b>Total professional and consultancy fees</b>	<b>176,370</b>	<b>146,827</b>

III Employee Benefit Expense	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
Wages and salaries	1,953,586	1,793,978
Superannuation	143,349	151,130
Other benefits	16,586	6,222
<b>Total employee benefit expense</b>	<b>2,113,521</b>	<b>1,951,330</b>

### Policy – Employee benefits: Short-term and long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

IV Depreciation and Amortisation	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
Depreciation	804,365	786,687
Amortisation	71,675	43,176
<b>Total depreciation and amortisation</b>	<b>876,040</b>	<b>829,863</b>

### Policy – Depreciation and Amortisation

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

Land and buildings are recognised at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. A revaluation surplus is credited to other reserves in unitholders' equity. All other property, plant and equipment is recognised at historical cost less depreciation.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE PERIOD ENDING 30 JUNE 2020

Buildings	25-40 years
Machinery	10-15 years
Vehicles	3-5 years
Furniture, fittings and equipment	3-8 years
Leased plant and equipment	10-15 years

V Other expenses	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
Bank and merchant costs	57,306	54,131
General expenses	16,244	153,008
Office expenses	71,110	43,098
IT system costs	75,423	10,248
Registry costs	7,246	5,641
Vehicle and transportation	22,178	36,108
Telecommunication and internet	23,205	20,885
<b>Total other expenses</b>	<b>272,712</b>	<b>323,119</b>

VI Management, Performance and Acquisition Fees	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
Management Fees	150,000	-
Performance Fees	-	-
Acquisition Fees	-	-
<b>Total Management Fee</b>	<b>150,000</b>	<b>-</b>

The Fund is liable to the Investment Manager for certain fees associated with the acquisitions, operations, and performance of the Fund. These fees are set out in detail in the Information Memorandum, however, are summarised as follows:

1. Base Management Fee: management fee is calculated as 0.8% of the consolidated asset value.
2. Performance Fee: 20% above a 10% levered IRR after management fee and expenses.
3. Acquisition Fee: 1% of the purchase price of new assets paid to the manager for the identification and acquisition of assets.

The Base Management Fee was waived for a 2-year period to 30 June 2019. Payments of management, performance and Acquisition fees to Vertua Ltd are considered related party payments and should be read in conjunction with note D2.

### Policy - Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO) as an input tax credit (ITC).

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included in receivables or payables in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified as operating cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE PERIOD ENDING 30 JUNE 2020

### B4 EARNINGS PER UNIT (EPU)

#### Basic earnings per unit

Basic earnings per unit is calculated by dividing the profit/(loss) after tax attributable to equity holders of the Company by the weighted average number of ordinary units outstanding during the period, adjusted for bonus elements in ordinary units issued or cancelled during the period.

#### Diluted earnings per units

Diluted earnings per unit adjusts the figures used in determination of basic earnings per unit to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary units and the weighted average number of additional ordinary units that would have been outstanding assuming the conversion of all dilutive potential ordinary units.

	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
Net profit/loss attributable to the ordinary equity holders of the Group (\$)	815,375	1,031,778
Weighted average number of ordinary units for basic per unit (No)	10,798,514	9,537,247
<b>Continuing operations</b>		
<b>- Basic and diluted profit per unit (Cents)</b>	<b>7.55 Cents</b>	<b>10.82 Cents</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE PERIOD ENDING 30 JUNE 2020

### C. TRUST ASSETS AND LIABILITIES

C1 TRADE AND OTHER RECEIVABLES	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
Trade receivables	53,268	39,913
Deposits	42,000	22,000
<b>Total trade and other receivables</b>	<b>95,268</b>	<b>61,913</b>

### C2 INVESTMENT PROPERTIES

#### Fair value measurement

The Group measures financial instruments and non-financial assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### Fair value estimation

The Directors consider that the carrying amount of financial assets and financial liabilities, as recorded in the financial statements, represent, or approximate their respective fair values.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE PERIOD ENDING 30 JUNE 2020

	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
<b>Non current assets – Investment property</b>		
Investment Property	16,686,502	10,042,995
<b>Total</b>	<b>16,686,502</b>	<b>10,042,995</b>

	Level 2 \$	Level 3 \$	Total \$
<b>Fair value as at 30 Jun 2020</b>			
Investment properties	-	16,686,502	16,686,502
<b>Total</b>	<b>-</b>	<b>16,686,502</b>	<b>16,686,502</b>

	Level 2 \$	Level 3 \$	Total \$
<b>Fair value as at 30 Jun 2019</b>			
Investment properties	-	13,636,641	13,636,641
<b>Total</b>	<b>-</b>	<b>13,636,641</b>	<b>13,636,641</b>

### Valuation

Property	30 Jun 2020 Fair Value \$AUD	30 Jun 2019 Fair Value \$AUD	30 Jun 2020 Valuer	Last Independent Valuation Date
<b>NSW</b>				
Tuross Beach	3,687,725	3,681,967	Internal	25 January 2017
Beach Drive Motel	2,001,623	1,997,806	External	20 March 2017
The Gateway Motel	6,046,370	-	External	30 April 2019
<b>TAS</b>				
Stewarts Bay Lodge	665,240	665,240	External	17 April 2018
On the Bay	904,031	-	External	6 September 2019
Barclay Motor Inn	3,381,513	3,378,910	Internal	27 March 2018

### C3 INTANGIBLES

	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
Goodwill	2,048,582	2,038,635
Management rights	211,898	211,898
Other Intangibles	41,125	44,703
<b>Total Intangibles</b>	<b>2,301,606</b>	<b>2,295,236</b>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE PERIOD ENDING 30 JUNE 2020

### Recognition and Measurement:

#### Management rights

Goodwill acquired in a business combination is initially measured at fair value and reflect the controlling interest in Australian tourism real estate.

#### Goodwill

Goodwill acquired in a business combination is measured at cost and subsequently measured at cost less any impairment losses.

The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

C4 CURRENT ASSETS - OTHER	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
Accrued income	164,879	50,369
P& E to be identified at settlement	-	5,400,000
Prepayments	47,117	5,014
<b>Total current assets - other</b>	<b>211,996</b>	<b>5,455,383</b>

P&E to be identified at settlement reflects properties exchanged, the fund has acquired the right to acquire and the obligation to pay for the property, in the previous year but prior to settlement.

C5 CASH AND CASH EQUIVALENTS	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
Cash at bank	440,098	1,842,131
Cash on hand	10,169	8,628
<b>Total cash on hand</b>	<b>450,267</b>	<b>1,850,759</b>

### Recognition and Measurement:

#### Cash and Cash Equivalents

Cash is recognised at its nominal value. For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes the following:

- cash on hand
- deposits held at call with financial institutions
- other short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

C6 INVENTORY	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
Raw materials and stores	16,816	44,634
<b>Total inventories</b>	<b>16,816</b>	<b>44,634</b>

Raw materials and stores reflect the value of food and beverage assets held on hand as stock measured at cost. The amounts recognised as an expense in the cost of sales reflects any inventory adjustments to the period end. The group monitors and records inventory movements on a monthly basis.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE PERIOD ENDING 30 JUNE 2020

### C7 RIGHT OF USE ASSETS

	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
Leases	1,241,473	1,298,110
<b>Total right of use assets</b>	<b>1,241,473</b>	<b>1,298,110</b>

Remaining leases are recognised as right-of-use assets as of Jan 2019. Right of use assets are measured at cost in accordance with AASB16 comprising of:

- The amount of the initial measurement of the lease liability
- Any lease payments or incentives
- Any initial direct costs
- Any restoration costs.
- The right of use assets should be read in conjunction with note C12

### C8 TRADE AND OTHER PAYABLES

	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
Accounts Payable	145,498	46,733
Intercompany Payables	-	19
<b>Total Intangibles</b>	<b>145,498</b>	<b>46,752</b>

#### Policy – Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### C9 CURRENT LIABILITIES – OTHER

	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
Deposits Held	101,376	62,852
Funds held in trust	108,981	155,796
Miscellaneous liabilities	232,759	5,162
Statutory tax liability	83,368	-
Superannuation Payable	9,915	-
Settlement liability	55,000	5,130,000
<b>Total Intangibles</b>	<b>591,400</b>	<b>5,353,810</b>

The settlement liability relates to the purchase of the strata property associated with "On The Bay". The terms of which are equal quarterly payments of \$5,000.

Accommodation services hold advanced deposits on the confirmation of booking services. The deposits are held on trust as a liability until the amounts are moved to payment for services or refunded to the customer at the time of completion of services contracted.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE PERIOD ENDING 30 JUNE 2020

### Policy – Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

C10 FINANCIAL LIABILITY – CURRENT	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
Bank Loan repayable within 12 months	260,400	790,400
<b>Total financial liability – current</b>	<b>260,400</b>	<b>790,400</b>

Current borrowings are defined as amounts being required to be repaid within 12 months to the group's lender, National Australia Bank (**NAB**). Overdraft facilities are used for general working capital purposes and are considered part of the current borrowings as they are generally repaid in full within 12 months. This note should be read in conjunction with C.11.

C11 FINANCIAL LIABILITY – NON-CURRENT	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
Bank Facility	5,907,000	2,039,400
<b>Total borrowings – non-current</b>	<b>5,907,000</b>	<b>2,039,400</b>

### Banking Facilities

The Group has banking facilities with the National Australia Bank (NAB), secured with mortgages and a general charge over the assets of the Group. The facilities have a variety of maturities as set out below:

				Period ended 30 June 2020 \$AUD		Period ended 30 June 2019 \$AUD	
Loan Facility	Principal Limit \$AUD	Interest Rate	Location Servicing	Drawings	Balance	Drawings	Balance
1	240,000	2.571 %	Lismore	-	240,000	-	-
2	3,240,000	2.571 %	Lismore	-	3,240,000	-	-
3	1,500,000	2.571 %	Barclay	-	1,500,000	-	1,500,000
4	532,400	3.321 %	Tuross Head	-	452,000	-	535,000
5	735,000	2.571 %	Batemans Bay	-	735,000	-	810,000
Overdraft Facility	Principal Limit \$AUD	Interest Rate	Location Servicing	Drawings	Balance	Drawings	Balance
1	200,000	9.97 %	Tuross Head	-	-	-	200,000
2	330,000	8.17 %	Barclay	-	-	-	330,000

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE PERIOD ENDING 30 JUNE 2020

### C12 LEASE LIABILITIES

	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
Tuross Head lease liability	1,278,827	1,306,498
<b>Total lease liability</b>	<b>1,278,827</b>	<b>1,306,498</b>

### Policy – Leases

The group adopted AASB 16 during the period to 30 June 2019, which resulted in a recognition of lease liabilities and the associate use rights. This is detailed in note C7.

### C13 ISSUED CAPITAL

	30 June 2020		30 June 2019	
	Units	\$	Units	\$
<b>Ordinary Units</b>	9,651,668	10,285,700		
Opening Balance	837,608	1,000,000	7,576,451	7,900,000
Units Issued	396,195	467,970	2,075,217	2,385,700
Redemptions	(86,957)	(100,000)	-	-
Equity Raising Costs	-	-	-	-
<b>Closing Balance</b>	<b>10,798,514</b>	<b>11,653,670</b>	<b>9,651,668</b>	<b>10,285,700</b>

### Recognition and Measurement:

#### Ordinary units are classified as equity.

Costs directly attributable to the issue of new units or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

#### Ordinary units

Ordinary units entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the units held. The fully paid ordinary units have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each unit shall have one vote.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE PERIOD ENDING 30 JUNE 2020

### D TRUST STRUCTURE

#### Recognition & Measurement:

##### Principles of Consolidation

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of the Fund as at period end and the results of all subsidiaries for the period then ended. The Company and its subsidiaries together are referred to as the Group. The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### D1 INTEREST IN MATERIAL SUBSIDIARIES

Name of Controlled Entity	Place of Incorporation	% of shares held at report date	% of Shares Held 2019
Vertua Opportunities Property Pty Ltd	Australia	100%	100%
Tuross Head Holdings Pty Ltd	Australia	100%	100%
Australia Travel Agent Pty Ltd*	Australia	100%	100%
VOF FB Pty Ltd	Australia	100%	100%
VOF 1 Pty Ltd	Australia	100%	100%
VOF Operations Pty Ltd	Australia	100%	100%

\*VOF Marketing Pty Ltd changed its name to Australia Travel Agent Pty Ltd on 11 June 2020

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE PERIOD ENDING 30 JUNE 2020

### D2 RELATED PARTY TRANSACTIONS

Vertua Limited (**Vertua**) is the Investment Manager of the Fund. Vertua is also the sole shareholder in Vertua Opportunities Pty Ltd, which is the Trustee of the Fund. Accordingly, entities associated with Vertua are considered related parties.

Fees paid to Vertua, or associated companies of Vertua are:

- Management fees of \$150,000 (2019: Nil) were paid to Vertua. For further details please refer to Note B3(vi).
- Other expenses include reimbursement to the Investment manager of \$0 (2019: \$269) of costs incurred by the Investment Manager on behalf of the Fund.

The Fund did not hold any interests in related parties as at year end or throughout the current or prior years.

Any other transactions with related parties have taken place at arm's length and in the ordinary course of business.

#### a. Subsidiaries

Interests in subsidiaries are set out in Note D1. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

b. Transactions with key management personnel	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
<b>Short term employee benefits</b>		
Salaries and fees	156,164	164,384
<b>Post-Employment Benefits</b>		
<i>Superannuation</i>	23,236	21,216
<b>Total Remuneration</b>	<b>179,400</b>	<b>185,600</b>

### D3 PARENT ENTITY DISCLOSURES

The table below represents the stand-alone financial position and performance of Vertua Opportunities Fund and does not include the financial position and performance of its subsidiaries. Accordingly, the amounts reflected above may be different from the consolidated financial statements.

Financial Position Vertua Opportunities Pty Ltd	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
<b>Assets</b>		
Current Assets	45,566	1,920,718
Non-current Assets	13,004,215	9,516,827
<b>Total Assets</b>	<b>13,049,781</b>	<b>11,437,545</b>
<b>Liabilities</b>		
Current Liabilities	556,680	303,279
Non-current Liabilities	-	-
<b>Total Liabilities</b>	<b>556,680</b>	<b>303,279</b>
<b>Equity</b>		
Issued Capital	11,653,670	10,285,700
Retained Earnings	123,340	267,070
<b>Total comprehensive income for the year</b>	<b>716,091</b>	<b>581,496</b>
<b>Total Equity</b>	<b>12,493,101</b>	<b>11,134,266</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDING 30 JUNE 2020

## E OTHER NOTES

### E1 AUDITOR REMUNERATION

	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
<b>First Equity Audit Pty Limited</b>		
Audit and review of financial reports	20,000	15,000
	<b>20,000</b>	<b>15,000</b>

### E2 RISK

The Group's activities expose it to a variety of financial risks including but not limited to:

- Liquidity risk;
- Interest rate risk;
- Credit risk; and
- Capital Management risk

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risks to which it is exposed. The method used is a sensitivity analysis for each of liquidity risk and interest rate risk.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings.

#### Interest rate risk management

The Trust's activities expose it primarily to the financial risks of changes in interest rates.

#### Interest rate sensitivity

The sensitivity analysis below has been determined based on the Trust's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period, in the case of financial assets and financial liabilities that have variable interest rates.

At reporting date, if variable interest rates had been 100 basis points ('bps') higher or lower and all other variables were held constant, the impact to the Trust would have been as follows:

	Variable +/-	Sensitivity Analysis	
		Rate Increase \$	Rate Decrease \$
<b>30 June 2020</b>	<b>100 bps</b>	<b>(6,167)</b>	<b>6,167</b>
<b>30 June 2019</b>	<b>100 bps</b>	<b>(2,845)</b>	<b>2,845</b>

#### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who oversee a liquidity risk management framework for the management of the Group's funding and liquidity management requirements. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring there are appropriate plans in place to finance these future cash requirements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE PERIOD ENDING 30 JUNE 2020

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### Credit Risk

Credit risk arises from cash and cash equivalents and credit exposures to customers, including outstanding receivables. Credit risk is managed on a group basis. For banks and financial institutions, the Group aims to hold deposits with independently rated parties with an acceptable credit rating.

### Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for unitholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to unitholders, return capital to unitholders, issue new units or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as current borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial performance plus net debt.

## E3 COMMITMENTS AND CONTINGENCIES

### Commitments of the Group

The Group did not have any commitments as at 30 June 2020.

### Guarantees entered into by the Group

There were no guarantees entered into by the Group as at 30 June 2020.

### Contingent Liabilities of the Group

The Group did not have any contingent liabilities as at 30 June 2020.

## E4 SIGNIFICANT EVENTS DURING THE YEAR EFFECTING ACCOUNTS

The accounts of Vertua Opportunities Fund have been significantly affected by the following events during the financial year FY2020:

- The Australian bushfire crisis (operational spiel on the effects)
- The Covid-19 health pandemic and consequential restrictions. (operational spiel on the effects)

## E5 EVENTS AFTER THE REPORTING DATE

Since the reporting date, the fund has exchanged on the "Central Court Motel" in Warnambool. No other significant events have occurred since the reporting date of this report.

## E6 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

As at the date of the accounts, no new standards have been adopted which the Fund has not yet adopted in the accounts.

## E7 ADDITIONAL INFORMATION

The registered office and principle place of business of the Trust are as follows:

**Registered office:** Level 5, 97 Pacific Highway  
North Sydney, NSW 2060

**Principle Place of Business:** Level 5, 97 Pacific Highway  
North Sydney, NSW 2060



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDING 30 JUNE 2020

## POST NOTES

Unit Valuation	Period ended 30 June 2020 \$AUD	Period ended 30 June 2019 \$AUD
Net assets of the fund	12,493,221	11,035,102
Plus accrued distribution	377,948	286,116
Total unitholder funds	12,871,169	11,321,218
Units on issue	10,798,514	9,537,247
<b>Value per unit</b>	<b>1.19</b>	<b>1.19</b>
<b>Total distributions paid</b>	<b>0.035</b>	<b>0.03</b>

# DIRECTORS DECLARATION

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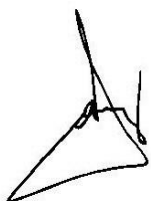
## IN THE DIRECTORS' OPINION:

- The attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- The attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



**Christopher Bregenhoj**

Chairman

21 August 2020



First Equity Audit Pty Ltd  
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Office: +61 2 8624 6130

## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF VERTUA OPPORTUNITIES FUND

### Report on the Audit of the Financial Report

#### Opinion

We have audited the accompanying financial report, being a general purpose financial report of Vertua Opportunities Fund (the "Fund"), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial statements and the directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Fund's financial position as at 30 June 2020 and of its financial performance for the year ended; and
- (ii) complies with the Australian Accounting Standards 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 (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Vertua Opportunities Pty Ltd (the "Responsible Entity"), would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Information

The directors of the Responsible Entity (the "Directors") are responsible for the other information. The other information comprises the Directors' Report included in the financial report for the year ended 30 June 2020 but does not include the annual financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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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## FIRSTEQUITY

### **Responsibilities of Management and Those Charged with Governance**

The directors of the responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards 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 related 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 judgement 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 company'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 management's 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 company'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 company to cease to continue as a going concern.
- 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.

## FIRSTEQUITY

We have communicated 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.

**First Equity Audit Pty Limited**



.....  
**Shakeel Khan**

**Director**

Date: 25 August 2020

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Web: [www.firstequity.com.au](http://www.firstequity.com.au)

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## VERTUA OPPORTUNITIES PTY LTD (A.C.N. 617 079 419)

As trustee for Vertua Opportunities Fund  
(ABN: 84 129 409 279)

### Directors

James Manning  
Benjamin Doyle  
Christopher Bregenhoj

### Tuross Head Holdings Pty Ltd (A.C.N. 616 958 733)

As trustee for the Tuross Head Holdings Unit Trust  
(ABN: 72 798 659 701)

### Directors

James Manning  
Benjamin Doyle  
Christopher Bregenhoj

### Existing Assets

Tuross Head Holiday Park

### Vertua Opportunities Property Pty Ltd (A.C.N. 617 324 688)

Vertua Opportunities Property Unit Trust  
(ABN: 30 118 231 070)

### Directors

Benjamin Doyle

### Existing Assets

Freehold Land  
- Beach Drive Motel  
Freehold Land  
- Barclay Motor Inn  
Freehold Land  
- Gateway Motel Lismore  
Freehold Land  
- On the Bay

### VOF 1 Pty Ltd (A.C.N. 624 116 061)

As trustee for the VOF 1 Unit Trust  
(ABN: 71 461 138 150)

### Directors

Darron Wolter

### Existing Assets

Stewarts Bay Lodge  
- Management Rights

### VOF Operations Pty Ltd (A.C.N. 625 014 191)

As trustee for the VOF Operations Unit Trust  
(ABN: 71 461 138 150)

### Directors

Darron Wolter  
James Manning

### Existing Assets

Barclay Motor Inn  
- Leasehold  
Gateway Motel  
- Leasehold

### VOF FB Pty Ltd (A.C.N. 625 990 436)

As trustee for VOF FB Unit Trust  
(ABN: 49 416 059 957)

### Directors

Darron Wolter

### Existing Assets

On the Bay

### Australian Travel Agent Pty Ltd (A.C.N. 625 990 123)

As trustee for VOF Marketing Unit Trust  
(ABN: 97 885 242 975)

### Directors

James Manning

### Existing Assets

Nil





VERTUA

**one**

Investment Group

ABN

84 129 409 279

REGISTERED OFFICE

Level 5, 97 Pacific Highway  
North Sydney, NSW 2060

UNIT REGISTRY

ONE REGISTRY

PO BOX R1479  
Royal Exchange NSW 1225

WEBSITE ADDRESS

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