VENTURE CAPITAL OPPORTUNITIES FUND

INVESTING IN SQUARE PEG II

Annual Report

For the year ended 30 June 2021

(ARSN 625 636 473)

RESPONSIBLE ENTITY:

E&P INVESTMENTS LIMITED

(ACN 152 367 649) (AFSL 410 433)

Directory

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Chair's letter

Dear Unitholders,

It is a pleasure to provide you with the Venture Capital Opportunities Fund (**Fund**) Annual Report for the twelve-month period to 30 June 2021 (**FY21**).

FINANCIAL PERFORMANCE

We are pleased with the performance achieved by the Fund to date. For FY21, the Fund returned 36.5% on invested capital and delivered a net profit of $6.4 million or 62.7 cents per unit. This reflects strong revaluation gains from underlying investments, despite a heavy FX headwind for the Fund's US dollar denominated investments (the Australian dollar gained 8.6% against the US dollar during FY21, decreasing the Australian dollar value of those investments). The key component of this result was a $6.7 million fair value gain on the Fund's investment in Square Peg Fund II (**SPFII**), which was inclusive of a $0.8 million foreign exchange translation loss. At 30 June 2021, the Fund had net assets of $23.7 million representing $2.32 per unit, which implies a total gain per unit, including distributions, of 56% or 1.56x on a paid in basis, since inception.

FUND STRUCTURE

Units in the Fund were issued on a partly paid, or instalment basis, and following two calls during the year (July 2020 and June 2021), investors have now paid five instalments, totalling $1.50 per unit or 83.3% of the issue price.

The Fund has made total capital commitments of US$11.2 million to SPFII, representing an interest of 4.8% in SPFII. As at the end of June 2021, SPFII has invested (net drawn capital) 69.3% of committed capital in sixteen early-stage technology businesses (including the successful exit from Puresec).

INVESTMENT ACTIVITY

As you know, the investment management team at Square Peg Capital Pty Ltd (**Manager**) is focused on key business models and investment thematics that are based on strong expertise and networks. They seek to understand the catalysts for disruption in specific markets and which businesses will be the likely winners as these markets evolve. They also invest where they have confidence that there is potential for significant value creation over the years following investment.

During the course of FY21 we provided unitholders with three updates on the investment activity of SPFII, including the December 2020 Half Year Financial Accounts released in March 2021. Over the course of the year SPFII made six new investments – StashAway, Sternum, Deci, Vow, and two early-stage enterprise software companies Neara and OnLoop. This has brought the total number of investee companies to sixteen and has resulted in almost 70% of capital committed to SPFII being called. Our expectation is that any further investment will be in existing portfolio companies and we note that during FY21 SPFII made follow-on investments in portfolio companies including Aidoc, HealthMatch, Zeller, StashAway, Neuron and Doctors Anywhere.

All of the underlying businesses are employing technology to meet the requirements of new markets with more efficient and less costly operating models – they provide innovative solutions that have a global market. In addition to its existing portfolio of investee companies, the Fund's new investments offer exposure to wealth management, internet security, artificial intelligence, cultivated meat, employee engagement and culture (important in the current environment) and infrastructure management. Their products, partnerships, and industry relationships offer significant opportunities and contribute to building long-term defensibility for these businesses.

Global investment markets, including private equity and venture capital, were strong in FY21 with listed equity indices hitting multi-year highs. While the spread of COVID-19 and the Delta variant resulted in lockdowns and increased economic uncertainty, vaccination rates are increasing rapidly and economies are reopening. Through this period of accelerated innovation, we have seen explosive growth from many technology-related companies and believe the Manager will continue to work closely with portfolio companies to take advantage of this.

STRATEGY

The investment and advisory team employed by the Manager employs substantial expertise to identify businesses which are well-positioned to utilise technology to meet the requirements of new markets and disrupt current operating models. Since inception, the Manager has made investments in technology, software and a number of artificial intelligence (**AI**) businesses to improve outcomes for companies involved in employee management, radiology, personal finance, energy retailing, cybersecurity, quantum computing, digital healthcare, clinical trial technology, micro-mobility and business banking in the serverless computing environment.

We thank you for your support and look forward to updating you on the progress of the Fund through the 2022 financial year. The progress of the Manager in relation to investing Fund capital has been well-considered and strategic and we are very pleased with the capital deployment rate and strong returns achieved by SPFII and the Fund to date.

We trust you will remain safe and well and we look forward to updating you again soon.

Yours faithfully

Stuart Nisbett
Independent Chair of the Responsible Entity

15 September 2021

Report to unitholders

MARKET REVIEW

Venture capital markets have enjoyed another strong year, despite some volatility in equity and debt capital markets as both markets and economies stabilised after the early impact of the COVID-19 pandemic. Thanks in part to a high degree of liquidity, low yields, and positive equity markets, private capital markets ended the year supported by strong market dynamics and have experienced growing interest from the broader investment community.

While the economic implications of the crisis have been profound, the rapid development and distribution of vaccines has meant that many nations are proceeding along paths to recovery. Having said that, it should be noted that the spread of the Delta variant has increased the risks that recoveries may be slower than previously anticipated. While some businesses were hit heavily (e.g. travel and hospitality), the prolonged support and liquidity provided by central banks and governments has resulted in steady to decreasing levels of unemployment, and robust corporate profits and consumer spending. The most apparent and dominant trend of FY21 was the acceleration of technology trends and the rapid growth of digital businesses.

OUTLOOK AND OPPORTUNITY

By any measure, the internet has been the defining societal and economic theme of our generation. While the growth in the number of internet users has been extraordinary, how people use the internet has transformed too. As functionality has improved, the type of activities the internet supports have exploded. There has been exponential growth in the amount of time each user spends on the internet and a shift of daily activity – work, communication, entertainment – from offline to online. An above-trend growth rate multiplied by another above-trend growth rate leads to extremely strong growth, and this is reflected in the size of the Internet Economy. By some estimates, the Internet Economy now represents over 20% of global GDP.

Companies with billions of dollars of revenue, such as Stripe and Shopify, are still growing at rates approaching 100% per annum. However, it isn't just their growth rate that distinguishes these businesses. Many of these businesses have highly scalable business models where the incremental cost of adding a new customer is very low. Software business models are often highly defensible, frequently leading to winner-take-most outcomes and, as a result, achieve extraordinary free cash flow generation when scale is attained.

The Internet Economy is still young and the Manager remains convinced that there is a long way to go before it reaches maturation and significant value is still to be created. The primary reason is that there are many problems to be solved globally, and an enormous number of these problems will be solved by start-ups that develop software products and distribute via the internet. The prize for solving these problems is exponentially larger than it was 25 years ago (or even five years ago) due to the massive growth in the size of the Internet Economy.

Many of these problems to be solved are in the largest and most critical areas of our economy, including financial services, education, health and retail, so the opportunities are significant.

Businesses are using a range of emerging technologies, including crypto and Artificial Intelligence (**AI**), and employing a range of different business models. The Manager anticipates that we will see global rather than local winners emerge, and winner-take-most outcomes. The Manager also anticipates that new businesses will not necessarily emerge predominantly from the U.S., and in particular from the Bay Area of San Francisco. They expect that each of the three geographic focus areas targeted by the Manager has the potential to produce an increasing number of innovative businesses.

An example of one of the portfolio companies that is emerging as a category-defining business is Southeast Asia fintech FinAccel. FinAccel is facilitating the region's rapid rise in e-commerce activity with their Buy Now Pay Later and personal loan offerings. Despite being founded in only 2015, the business is already delivering significant revenue and has been expanding at a rate similar to other high-growth entities. Following year end, FinAccel announced an agreement to list in the U.S. through a merger, which is yet to reach financial close, with Special Purpose Acquisition Company (**SPAC**) VPC Impact Acquisition Holdings II in a deal that values the combined entity at $2.5 billion, further cementing this business as an outstanding investment for SPFII and the Fund.

PORTFOLIO POSITIONING

SPFII has, to date, invested in sixteen early-stage technology businesses, having sold Puresec to Palo Alto Networks in FY19. StashAway, Sternum, Deci, Vow, Neara and OnLoop were new inclusions to the portfolio in FY21.

The Manager has successfully constructed a portfolio of companies that employ technology to meet the requirements of new markets with more efficient and less costly operating models – demonstrating the strategy of identifying companies seeking innovative solutions in global markets. The businesses are developing products, partnerships, and industry relationships that offer significant opportunities and contribute to building long-term defensibility for their market position.

A summary of the current investments in SPFII is outlined below.

AIDOC

Aidoc has developed products that support and enhance the diagnostic power of radiologists, helping them expedite patient treatment and improve quality of care. Employing deep learning AI technology that identifies physical anomalies and flags the most urgent cases, Aidoc's products assist radiologists to better prioritise life threatening cases and accelerate patient care. Since it was initially founded in 2016, Aidoc's solutions have been deployed at more than 500 hospitals and medical centres, used to analyse scans of over 8 million patients, and, through a partnership with US based Radiology Partners (**RP**), will be offered in RP's network of 3,400 medical facilities. Following US Food and Drug Administration (**FDA**) approval of their first product in late 2018, Aidoc now has eight FDA approved products and is the leading full-body imaging AI software.

DEPUTY

Deputy has developed a Software as a Service (**SaaS**) product that assists organisations of any size, across multiple sectors, to effectively manage their rostered workforce. It enables staff to be simply, and even automatically, scheduled, based on stated preferences and availability. It acts as a system of engagement for rostered staff and employers to communicate and share information with each other. Deputy also links to other systems such as payroll and timesheets to automate manual processes.

While COVID-19 impacted Deputy's business, the company used the opportunity to diversify its user base and has experienced a solid rebound.

FINACCEL

FinAccel uses technology to extend credit to prime consumers in one of the most underpenetrated markets for credit, Indonesia. Its core product, Kredivo, is a digital credit card and point-of-sale transaction engine that enables consumers to quickly and easily "buy now and pay later" on Indonesia's leading e-commerce sites.

In November 2019 Square Peg co-led FinAccel's US$90m Series C round, a follow-on investment from SPFII's Series B participation. FinAccel has delivered strong growth since the initial investment and is on track to enter three other markets by year end. In July 2021 the company announced a merger with a Nasdaq listed a SPAC that is anticipated to close by March 2022.

AMBER

Amber is building an energy retailer with a differentiated business model and value proposition that aligns with customer interests, reducing electricity costs and increasing the use of clean renewable energy. Amber provides electricity to customers at the wholesale market price, without any mark-up. It instead charges its customers a flat fee of $10 per month. Amber is also developing a software platform to help its customers take greater advantage of cheaper, cleaner energy when it's available by automatically optimising their energy use. Amber has continued to see significant growth in its business and recently completed a Series B funding round, led by Commonwealth Bank as the bank broadens its platform offering to a large retail and business customer base.

Q-CTRL

Q-CTRL is an Australian company that provides software tools to improve the stability of quantum hardware. Australia is a centre of excellence for quantum computing and Michael Biercuk, the founder and CEO of Q-CTRL, is a global authority on the topic of quantum control.

Q-CTRL's mission is to be the trusted provider of quantum control solutions across all applications. Spanning quantum computing, quantum sensing, quantum metrology, and quantum-enabled medical imaging, the emerging market for quantum tech is forecast to be a multi-billion-dollar market by 2023, contributing to the $50 billion/year supercomputing market and the $22 billion/year defence sensing market.

Q-CTRL are a founding member of the IBM Q Network and have deep technical partnerships with companies ranging from the world's largest tech companies to advanced quantum computing start-ups such as Bleximo and Rigetti Computing. Other partnerships remain commercial-in-confidence.

DOCTOR ANYWHERE

Doctor Anywhere is a regional tech-led healthcare company headquartered in Singapore. The company's mission is to improve healthcare outcomes across Southeast Asia. With a strong network of established healthcare providers and experienced doctors, Doctor Anywhere's digital platform enables users to manage their health easily and effectively through the Doctor Anywhere mobile app. Users can consult a licensed local doctor anytime, anywhere, and get medication delivered to their doorsteps within hours. Medical history, health reports, and other documents are stored in-app for easy access. Doctor Anywhere has strong penetration in its domestic market, Singapore, and is gaining traction in Thailand and Vietnam.

HEALTHMATCH

HealthMatch's mission is to dramatically accelerate patient recruitment to clinical trials, allowing for faster and more efficient access to life-saving medication. By employing innovative technology, HealthMatch is able to match patients to clinical trials in a matter of minutes. By presenting simplified questions, one at a time, in a language that patients can understand, HealthMatch has experienced strong growth rates and the constraints and urgency experienced by pharmaceutical companies during the COVID-19 pandemic has provided a positive tailwind for the company.

NEURON

Neuron's vision is to develop new forms and formats of mobility to better connect urban centres while reducing the carbon footprint of existing modes of transport. Founded in 2016, Neuron Mobility is Southeast Asia's leading shared electric scooter service. It provides a sustainable short-distance mobility solution to connect neighbourhoods across the region. The company continues to expand, and currently operates in Australia, Canada, New Zealand, South Korea and the United Kingdom.

Neuron has some of the industry's earliest patents on smart scooter and intelligent charging solutions in the personal mobility industry. The company maintains a proprietary supply chain for its patented commercial-grade scooter, and uses real-time analytics to power its operational deployment.

ZELLER

Zeller is an Australian Fintech company which aims to provide small businesses with a complete and streamlined payment solution rather than needing to maintain a variety of relationships with a number of entities. Zeller successfully launched their core merchant terminal ("Acquiring"), deposit account and debit card ("Issuing") offerings in May 2021, signing up over 1,500 customers in the first month. Over time they plan to increase the financial products they offer to small business.

Zeller's aim is to provide solutions to re-align business banking by simplifying the process of accepting payments and managing finances. Zeller also announced an investment by high-profile US venture capital investor, Spark Capital, increasing the scale and support base of the company significantly.

STASHAWAY

StashAway is a digital wealth management platform based in Southeast Asia that personalises financial planning and portfolio management for investors. It makes investment strategies accessible to the mass affluent, leveraging technology and data, and providing consumers with access to a mobile investment platform that provides educational and wealth outcomes. Stashaway has experienced continued growth and surpassed US$1 billion under management in FY21.

STERNUM

Sternum was founded in 2018 by a team of highly experienced research, development, and business leaders determined to significantly improve the security around the Internet of Things (**IoT**). The IoT market is growing at an astounding rate and so are attacks on IoT devices. Sternum is well positioned to be a global leader in IoT security with a focus on detecting vulnerabilities and real-time threat detection. The business has recently partnered with an Australian medical device company as well as several large global device manufacturers.

DECI

Deci, founded in 2019, is based in Tel Aviv. Its team of deep learning experts are focussed on significantly reducing production-related bottlenecks across the AI lifecycle. Deci's platform uses AI to build and operate AI models, enabling data scientists to transform their AI models into production-grade solutions on any hardware, crafting the next generation of AI for enterprises across the board.

Deci has now joined the Amazon Web Services (AWS) Independent Software Vendor (**ISV**) Partner Path program within the AWS Partner Network (**APN**), the global partner program for technology companies using AWS, and recently announced a broad strategic collaboration with Intel Corporation.

VOW

Vow is an Australian cultivated meat start-up. Vow's strategy is underpinned by a diverse library of stem cells collected from a wide range of animals and aims to build the technology to combine these different cells into brand new foods. Their ultimate goal is to create products which have superior taste and nutritional value. The business has progressed well and there is a possibility that one of their products could be on consumers' plates by the end of 2022.

ONLOOP

OnLoop is an app for teams that combines reflection, feedback and learning to help everyone grow and extend their skill sets (and overcome blindspots). They're on a mission to build a less biased and more productive world through the deliberate day-to-day development of people.

NEARA

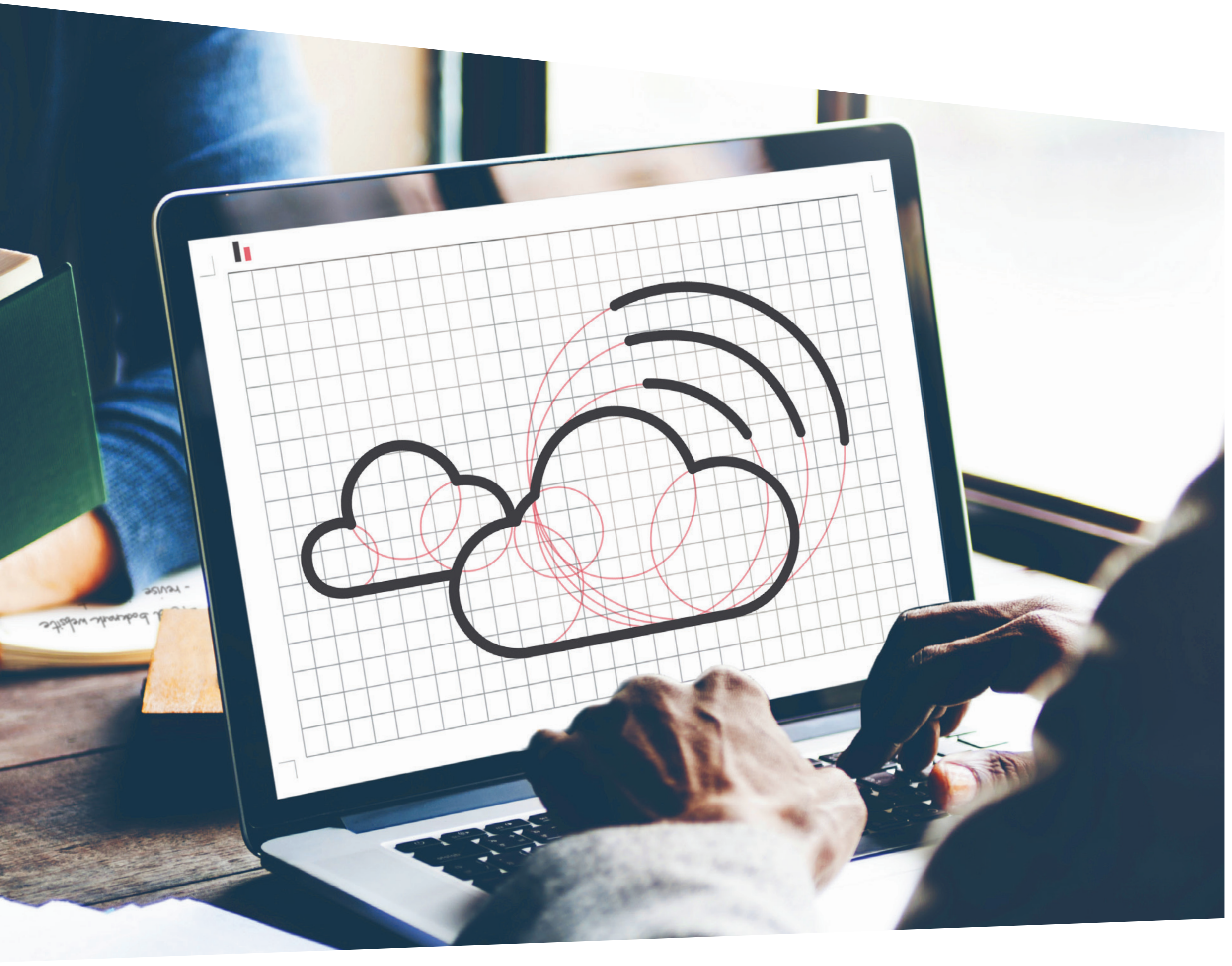
Neara, previously called Power Lines Pro, is a cloud-based enterprise platform that improves planning and maintenance of large-scale infrastructure. Neara is making complex analysis and design accessible at every level of the infrastructure industry and has recently expanded to include underground assets and vegetation management.

Their platform delivers a true digital twin, performing complex engineering-grade analysis automatically and at a whole-of-network scale.

INVESTOR REGISTRY

The Fund has provided regular investment updates to unitholders via email. Please contact the registry if you would like to receive these updates directly to your email inbox in future:

Registry:	Boardroom Pty Limited
Phone:	1300 737 760
Website:	https://www.boardroomlimited.com.au



Directors' report

The directors of E&P Investments Limited (formerly Walsh & Company Investments Limited), the Responsible Entity of Venture Capital Opportunities Fund (**Fund**), present their report together with the annual financial statements of the Fund for the financial year ended 30 June 2021.

DIRECTORS

The directors of the Responsible Entity at any time during or since the end of the financial year are listed below:

- Stuart Nisbett
- Warwick Keneally
- Mike Adams
- Peter Shear

Directors were in office since the start of the financial year to the date of this report unless otherwise stated.

INFORMATION ON DIRECTORS

STUART NISBETT

CHAIR

Stuart is currently Executive Director and Principal at Archerfield Capital Partners, a boutique corporate advisory firm specialising in real estate, which he established in 2008. He has more than 30 years experience in property development, property funds management, equity and debt raising, corporate advisory and project finance.

Previously, Stuart was Executive Director, Head of Property Funds at ANZ Investment Bank. He was also the Managing Director, Head of Property Banking & Property Investment Banking at N M Rothschild & Sons (Australia) Limited. Stuart has also held senior roles at director level at Macquarie Bank Property Investment Banking Division and at Lendlease Corporation in its development and commercial asset management divisions.

Stuart is a Chartered Accountant and holds a Bachelor of Commerce with Merit and a Masters of Commerce from the University of NSW, and in 2005 was appointed a Fellow of the Australian Property Institute.

WARWICK KENEALLY

Warwick is Head of Finance at E&P Funds, the Funds Management division of E&P Financial Group Limited and Chief Financial Officer of New Energy Solar Manager. Before joining E&P Funds, Warwick worked in chartered accounting firms specialising in turnaround and restructuring. Warwick started his career with KPMG, working in their Canberra, Sydney and London offices and has undertaken a range of complex restructuring engagements across Europe, UK and Australia, for a range of Australian, UK, European and US banks.

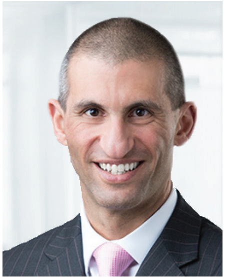
Warwick has worked with companies and lenders to develop and implement strategic business options, provide advice in relation to continuous disclosure requirements, develop cash forecasting training for national firms, and lectured on cash management.

Warwick has a Bachelor of Economics and Bachelor of Commerce from the Australian National University and is a Member of the Institute of Chartered Accountants in Australia and New Zealand.

MIKE ADAMS

Mike has extensive experience across a broad range of corporate, commercial and private client sectors. His core practice areas involve the provision of advice and transactional expertise in relation to new and existing retail and wholesale financial products and the regulatory framework within which they operate, as well as debt and equity financing, intellectual property, and general corporate law among others. Mike has previously worked in private practice, public sector and in-house roles in Australia, New Zealand and the United Kingdom, acting across multiple industries for a variety of clients, including high-net-worth individuals, banks and financial institutions, as well as numerous listed and unlisted corporate entities.

Mike is also a director with MA Law, a Sydney-based financial services law firm, and is admitted as a solicitor of the Supreme Court of NSW. He has a Bachelor of Laws from the University of Otago.



PETER SHEAR

Peter has significant expertise in funds management, financial advisory and complex lending arrangements including leveraged finance, property development and debt workout situations. Peter was most recently Co-Managing Partner of Opportunistic Lending and Special Situations at LIM Advisors. Prior to this role, Peter held the positions of Chief Risk Officer and Managing Director & Head of Corporate and Structured Finance at Lloyds Banking Group (and its predecessor HBOS plc) in Australia. Peter was also previously a Partner in Corporate Finance & Restructuring at Ernst & Young.

Peter has a Bachelor of Business from the University of Technology Sydney, an Executive MBA from AGSM, is a member of Chartered Accountants Australia and New Zealand, a Fellow of FINSIA and a Graduate Member of the Australian Institute of Company Directors.

PRINCIPAL ACTIVITIES

The Fund is an unlisted managed investment scheme registered in Australia. The registered office and principal place of business of the Responsible Entity of the Fund is located at Level 15, 100 Pacific Highway, North Sydney, New South Wales 2060.

The principal activity of the Fund during the year was investing in technology and disruptive companies in the venture capital stage of development focused predominantly in Australia, Israel, and South-East Asia, through its interest in Square Peg Fund II (**SPFII**).

There were no significant changes in the nature of this activity during the year.

REVIEW AND RESULTS OF OPERATIONS

The profit for the Fund after providing for income tax amounted to $6,381,780 (2020: $959,165).

The key components of this result included a $6,728,899 fair value movement gain (2020: $1,201,374 gain) on the Fund's investment in SPFII. As at 30 June 2021, the Fund has called $1.50 (2020: $0.90) per partly paid unit from the Australian investors and had net assets of $23,653,479 (2020: $11,159,665) representing $2.32 per unit (2020: $1.10 per unit).

The Fund had a basic and diluted earnings per unit of 62.65 cents for the year ended 30 June 2021 (2020: 9.42 cents per unit).

The Fund has invested in SPFII which, in turn, invests in technology and disruptive companies in the venture capital stage of development. SPFII received total commitments of US$234.5 million, and is invested in 16 early stage technology businesses as at 30 June 2021. Net drawdown requests made by the underlying companies since inception to the end of the year totalled US$171.8 million.

The Fund has made total capital commitments of US$11.2 million to SPFII, representing an interest of 4.8%. The Fund's proportionate share of the total capital called as at 30 June 2021 was US$7.8 million (or $10.4 million).

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On 9 July 2021, SPFII made its fourteenth capital call of US$444,113. The capital call was paid on 21 July 2021.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

FUTURE DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operations of the Fund and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Fund.

ENVIRONMENTAL REGULATION

The Fund is not subject to any significant environmental regulation under Australian Commonwealth or State law.

OTHER RELEVANT INFORMATION

The following lists other relevant information required under the *Corporations Act 2001*:

— details of fees paid to the Responsible Entity during the financial year – refer to Note 16 of the financial statements

— the Responsible Entity did not hold any interests in the Fund at the end of the financial year

— details of issued interests in the Fund during the financial year – refer to Note 11 of the financial statements.

FUND ASSETS

The value of the Fund's assets is disclosed in the Statement of Financial Position and derived using the basis set out in Note 3 to the financial statements.

OPTIONS

No options were granted over issued or unissued units in the Fund during, or since the end of, the year.

INDEMNITY AND INSURANCE

Under the Fund's constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Fund's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

Insurance premiums have been paid, during or since the end of the financial year, for all of the directors of the Responsible Entity of the Fund. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for the auditor of the Fund.

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

Stuart Nisbett
Chair of E&P Investments Limited

15 September 2021

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
E&P Investments Limited
As Responsible Entity for
Venture Capital Opportunities Fund
Level 15, 100 Pacific Highway
North Sydney NSW 2060

15 September 2021

Dear Board Members

Venture Capital Opportunities Fund

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

As lead audit partner for the audit of the financial statements of the Venture Capital Opportunities Fund for the year ended 30 June 2021, 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) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Weng W Ching
Partner
Chartered Accountants

Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 $	2020 $
Investment income			
Interest income		1,383	48,587
Foreign exchange loss		(225,998)	(176,541)
Fair value movements of equity investments	9	6,728,899	1,201,374
Expenses			
Management and administration fees	16	(122,504)	(114,255)
Profit before income tax expense		**6,381,780**	**959,165**
Income tax expense		-	-
Profit after income tax expense for the year		**6,381,780**	**959,165**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**6,381,780**	**959,165**
		CENTS	**CENTS**
Basic earnings per unit	6	62.65	9.42
Diluted earnings per unit	6	62.65	9.42

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

AS AT 30 JUNE 2021

	NOTE	2021 $	2020 $
Assets			
Cash and cash equivalents	7	3,670,753	3,119,676
Receivables	8	26,177	1,854
Other financial assets	9	19,971,299	8,047,808
Total assets		**23,668,229**	**11,169,338**
Liabilities			
Trade and other payables	10	14,750	9,673
Total liabiities		**14,750**	**9,673**
Net assets		**23,653,479**	**11,159,665**
Equity			
Issued capital	11	14,987,853	8,875,819
Retained earnings		8,665,626	2,283,846
Total equity		**23,653,479**	**11,159,665**

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2021

	ISSUED CAPITAL $	RETAINED EARNINGS $	TOTAL EQUITY $
Balance at 1 July 2019	**8,875,819**	**1,324,681**	**10,200,500**
Profit after income tax expense for the year	-	959,165	959,165
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	**-**	**959,165**	**959,165**
Balance at 30 June 2020	**8,875,819**	**2,283,846**	**11,159,665**

	ISSUED CAPITAL $	RETAINED EARNINGS $	TOTAL EQUITY $
Balance at 1 July 2020	**8,875,819**	**2,283,846**	**11,159,665**
Profit after income tax expense for the year	-	6,381,780	6,381,780
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	**-**	**6,381,780**	**6,381,780**
Transactions with unitholders in their capacity as unitholders:			
Issued capital (Note 11)	6,112,034	-	6,112,034
Balance at 30 June 2021	**14,987,853**	**8,665,626**	**23,653,479**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 $	2020 $
Cash flows from operating activities			
Interest income received		1,578	54,265
Net payments to the Responsible Entity		(117,345)	(106,204)
Net cash used in operating activities	17	**(115,767)**	**(51,939)**
Cash flows from investing activities			
Payments for investments		(5,269,018)	(2,395,258)
Receipts from distributions		96,618	541,878
Net cash used in investing activities		**(5,172,400)**	**(1,853,380)**
Cash flows from financing activities			
Proceeds from capital call instalment	11	6,087,434	-
Payment of issue costs	11	-	(46,867)
Distributions paid		-	(148,727)
Net cash from/(used in) financing activities		**6,087,434**	**(195,594)**
Net increase/(decrease) in cash and cash equivalents		799,267	(2,100,913)
Cash and cash equivalents at the beginning of the financial year		3,119,676	5,397,640
Effects of exchange rate changes on cash and cash equivalents		(248,190)	(177,051)
Cash and cash equivalents at the end of the financial year	7	**3,670,753**	**3,119,676**

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

1. GENERAL INFORMATION

Venture Capital Opportunities Fund (**Fund**) is a managed investment scheme registered and domiciled in Australia. The investment objective of the Fund is to invest in technology and disruptive companies in the venture capital stage of development predominantly in Australia, Israel and South-East Asia, through its interest in Square Peg Fund II (**SPFII**) which comprises of interest in Square Peg Australia 2018, L.P. (**LP**) as a limited partner and Square Peg Global 2018 Trust (**Trust**) as an ordinary unitholder (together, **Square Peg Fund II** or **SPFII**).

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15 September 2021. The directors have the power to amend and reissue the financial statements.

2. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) that are relevant to its operations and effective for the current full year. The impact of the adoption is not material to the Fund's financial report in the current or future reporting periods and on foreseeable future transactions.

ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

New standards, amendments to standards and interpretations that are effective for annual reporting periods beginning on or after 1 January 2021 have not been early adopted in preparing these financial statements. There are no standards that are not yet effective and that are expected to have a material impact on the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis and are based on historical cost, except for the revaluation of financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

STATEMENT OF COMPLIANCE

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards issued by the AASB and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures the financial statements and notes to the financial statements of the Fund comply with the International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**).

The following accounting policies have been adopted in the preparation and presentation of the financial report.

FOREIGN CURRENCIES

The functional and presentation currency of the Fund is Australian dollars. This is based on an assessment that the primary economic environment in which the Fund operates is Australia.

Transactions in foreign currencies are initially recorded in Australian dollars by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies that are outstanding at the reporting date are retranslated at the rate of exchange ruling at the Statement of Financial Position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences arising on translation are recognised in profit or loss in the period in which they arise.

INVESTMENT INCOME

Interest income

Interest income is recognised in profit or loss using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Net change in fair value of investments

Realised and unrealised gains and losses on investments measured at fair value through profit or loss are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

TAXES

Income tax

Under current Australian income tax laws, the Fund is not liable to pay Australian income tax provided it is not a public trading trust and its distributable income for each income year is fully distributed to unitholders, by way of cash or reinvestment.

The Fund may be liable to pay income tax dependent on the structure of the underlying investments in which SPFII invests. Rates of tax will vary dependent on the source of income derived.

A deferred tax liability will be recognised based on the difference between the fair value and tax cost base of certain underlying investments in respect of which an economic interest is held by the Fund and on which income tax will likely be payable on realisation of such investments.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except to the extent the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the unrecoverable GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Where fees are stated to be exclusive of GST and GST is payable on any fee, the fee will be increased by an amount equal to the GST payable. Cash flows are presented in the Statement of Cash Flows on a gross basis.

The Fund qualifies for reduced input tax credits at a minimum rate of 55%.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

RECEIVABLES

Receivables include distributions receivable, reduced input tax credit receivable and other receivables. Amounts are generally received within 30 days of being accrued for. Receivable amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition.

The amount of the impairment loss is recognised in profit or loss within other operating expenses. When receivables for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the other operating expenses in profit or loss.

FINANCIAL INSTRUMENTS

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets

When financial assets are recognised initially, they are measured at fair value plus, in the case of financial assets not at fair value through profit and loss, directly attributable transaction costs.

Financial assets are subsequently measured at amortised cost using the effective interest rate method only if the following conditions are met, otherwise they are measured at fair value:

- Where a financial asset is held within a business model for the objective to collect contractual cash flows; and
- Contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The interest held by the Fund in SPFII does not meet the conditions to satisfy subsequent measurement at amortised cost, and is therefore measured on an ongoing basis at fair value through profit or loss.

Financial liabilities

Financial liabilities are classified as derivative and non-derivative instruments as appropriate. The Fund determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value. Non-derivative instruments are subsequently measured at amortised cost using the effective interest rate method. Derivative liabilities are subsequently measured at fair value.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged or cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in the principal (or most advantageous) market at balance date under current market conditions. Valuation techniques are applied to determine the fair value for all unlisted securities and securities in markets that are not active. The interest in SPFII held by the Fund is valued using a ‘proportionate’ value method based on the proportion of the total net asset value (determined on a fair value basis) of SPFII in which the Fund has an interest at each balance date, translated at the applicable balance date foreign exchange rate. Gains and losses arising from changes in the fair value of interest in SPFII are presented in the statement of profit or loss and other comprehensive income within fair value movements of equity investments in the period in which they arise.

Impairment

The Fund recognises a loss allowance for expected credit losses (**ECL**) on financial assets that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Fund recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

No impairment assessment is performed in respect of the interest in SPFII, where fair value changes are recorded in profit or loss.

ISSUED CAPITAL

Ordinary units

Ordinary units are classified as equity. Issued capital is recognised at the fair value of the consideration received by the Fund. Incremental costs directly attributable to the issue of the ordinary units are recognised as a deduction from equity.

EARNINGS PER UNIT

Basic earnings per unit is calculated by dividing the profit or loss attributable to unitholders by the weighted average number of units outstanding during the financial period. Diluted earnings per unit is the same as there are no potential dilutive ordinary units.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Fund's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 in the period of the revision and future periods if the revision affects both current and future periods. Accounting policies which are subject to significant accounting estimates and judgements include fair value determination of the interest held by the Fund in SPFII (refer to Note 9(iv)).

4. OPERATING SEGMENT

The Fund operates a single reportable segment, that being the business of investing in technology and disruptive companies in the venture capital stage of development through its interest in SPFII.

The Responsible Entity of the Fund is the Chief Operating Decision Maker (**CODM**) for the purpose of resource allocation and assessing performance of the operating segment.

Revenue, profit or loss, assets, liabilities and other financial information reported and monitored by the CODM of the single identified segment are reflected in the financial statements and notes to the financial statements of the Fund.

5. DISTRIBUTIONS

There were no distributions paid, recommended or declared during the current or previous financial year.

6. EARNINGS PER UNIT

	2021 $	2020 $
Profit after income tax	6,381,780	959,165
	NUMBER	**NUMBER**
Weighted average number of ordinary units used in calculating basic earnings per unit	10,186,723	10,186,723
Weighted average number of ordinary units used in calculating diluted earnings per unit	10,186,723	10,186,723
	CENTS	**CENTS**
Basic earnings per unit	62.65	9.42
Diluted earnings per unit	62.65	9.42

7. CASH AND CASH EQUIVALENTS

	2021 $	2020 $
Cash at bank	3,670,753	3,119,676

The exposure to interest rate risk and a sensitivity analysis is disclosed in Note 12 to the financial statements.

8. RECEIVABLES

	2021 $	2020 $
Interest receivable	37	232
GST receivable	1,540	1,622
Receivable from unitholders	24,600	-
	26,177	**1,854**

There are no balances included in receivables that contain assets that are impaired. All receivables are non-interest bearing and are generally receivable on 30 day terms. No receivable amounts are overdue. The receivables are recorded at carrying amounts that are reasonable approximations of fair value.

9. OTHER FINANCIAL ASSETS

(I) EQUITY INVESTMENT CONSTITUTING INTEREST IN SQUARE PEG FUND II – AT FAIR VALUE:

	2021 $	2020 $
Square Peg Global 2018 Trust	14,086,318	5,718,291
Square Peg Australia 2018 LP	5,884,981	2,329,517
Square Peg Fund II	**19,971,299**	**8,047,808**

(II) RECONCILIATION

	SQUARE PEG GLOBAL 2018 TRUST $	SQUARE PEG AUSTRALIA 2018 LP $	TOTAL $
Balance at 30 June 2019	**4,024,992**	**444,586**	**4,469,578**
Capital invested – at cost	1,416,122	960,734	2,376,856
Movement in fair value through profit or loss*	277,177	924,197	1,201,374
Balance at 30 June 2020	**5,718,291**	**2,329,517**	**8,047,808**
Capital invested – at cost	4,263,715	1,027,495	5,291,210
Movement in fair value through profit or loss*	4,200,930	2,527,969	6,728,899
Distributions from SPFII	(96,618)	-	(96,618)
Balance at 30 June 2021	**14,086,318**	**5,884,981**	**19,971,299**

*Included in the 'movement in fair value' amount of $6,728,899 (2020: $1,201,374) is an unrealised foreign exchange translation loss component of $782,675 (2020: $24,036 loss). This amount is also net of the Fund's 4.8% share of management fees paid by SPFII to Square Peg Capital (manager of SPFII), totalling US$230,374 (2020: US$226,574).

(III) FUND'S INTEREST IN ASSETS AND LIABILITIES OF SQUARE PEG FUND II

The 4.8% economic interest held by the Fund is not represented by voting rights or other power vested in the Fund to make decisions relating to the assets and liabilities of Square Peg Fund II, which comprises of investments in Square Peg Australia 2018, L.P. (**LP**) as a limited partner and Square Peg Global 2018 Trust (**Trust**) as an ordinary unitholder. The General Partner of the LP and Trustee of the Trust have delegated all management functions of SPFII to the manager of SPFII, including selecting and managing the investments of SPFII.

(IV) VALUATION

Valuation technique adopted

The fair value of the Fund's interest in the SPFII is determined using a 'proportionate' value method based on the Fund's 4.8% interest held in the total net asset value of SPFII.

SPFII holds investments predominantly in early stage venture capital companies which are recognised on an ongoing basis at fair value.

The fair value of the Fund's interest in SPFII is therefore ultimately based on the market valuation techniques adopted by SPFII in the measurement of their underlying unlisted equity investments based on market conditions existing at balance date. The fair value is also subject to foreign exchange translation impacts arising from translating the USD denominated interest in SPFII to AUD at each balance date. Refer to Note 12(a) for Market Risk sensitivity analysis.

Investment risks

As noted above, SPFII holds investments predominantly in early stage venture capital companies. Because of the absence of any liquid trading market for these types of investments, it may take longer to liquidate these investments than would be the case for marketable securities and accordingly the value obtained on realisation may differ materially to the estimated fair values at balance date. Valuation techniques used by SPFII include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs. As such, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material. These differences would directly impact the value of the interest held by the Fund in SPFII. Estimation uncertainty also arises in relation to likely tax obligations the Fund will incur in connection with realisation of recorded fair value movements.

(V) CAPITAL COMMITMENTS

As at 30 June 2021, the Fund has made capital commitments totalling US$11.2 million to SPFII, of which US$7.8 million has been called at balance date.

As at 30 June 2021, the Fund has uncalled capital commitments of US$3.4 million (or $4.6 million) outstanding to SPFII. The capital commitments can be called at any time in the future.

The uncalled capital commitments referred to above were converted at the AUD:USD year-end exchange rate of 0.7498.

10. TRADE AND OTHER PAYABLES

	2021 $	2020 $
Trade payables	14,750	9,673

Refer to Note 12 for further information on financial instruments.

The average credit period for trade creditors is generally 30 days. No interest is charged on trade creditors from the date of the invoice. The Fund has risk management policies in place to ensure invoices are paid within credit terms.

11. ISSUED CAPITAL

	2021 UNITS	2020 UNITS	2021 $	2020 $
Ordinary units – partly paid	**10,186,723**	10,186,723	**14,987,853**	8,875,819

ORDINARY UNITS – PARTLY PAID

Ordinary units are issued on a partly paid basis, up to a fully paid amount of $1.80 per unit. The partly paid ordinary units are called in accordance with the Constitution and as required by the Responsible Entity of the Fund. Partly paid ordinary units carry the same rights and entitlements on a fractional basis, as fully paid ordinary units, with such fractions being the equivalent to the proportion which the amount paid is of the fully paid amount of the units.

Two instalments of $0.30 per partly paid ordinary unit were called on 27 July 2020 and 23 June 2021.

As at 30 June 2021, the Fund has called $1.50 (2020: $0.90) per partly paid ordinary unit from the Australian investors.

CAPITAL MANAGEMENT

The Fund manages its capital to ensure it will be able to continue as a going concern while maximising the return to unitholders. The capital structure of the Fund consists of issued capital amounting to $14,987,853. The Fund is not subject to any externally imposed capital requirements.

12. FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES

The Fund is exposed to the following risks from its use of financial instruments:

- market risk (foreign exchange risk, market price risk and interest rate risk)
- credit risk
- liquidity risk.

The Responsible Entity has overall responsibility for the establishment and oversight of the risk management framework, including developing and monitoring risk management policies.

A) MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates, interest rates and equity prices. The Fund is primarily exposed to market risks arising from fluctuations in market price risk, foreign currency and interest rates. Refer to Note 9(iv) for further details of risks relating to equity prices.

Foreign exchange risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency. Foreign exchange rate movements will impact on the Australian dollar value of the Fund's financial assets and liabilities denominated in a currency that is not the Fund's functional currency.

The Fund is exposed to USD foreign exchange risk through its USD denominated cash balances, its investment activities and income derived from these activities.

The table below details the carrying amounts of the Fund's foreign exchange risk as at the end of the reporting period. This represents the Australian dollar exposure, converted at an exchange rate of 0.7498.

	2021 $	2020 $
Cash and cash equivalents	495,240	2,570,440
Receivables	8	72
Other financial assets (equity investments)	19,971,299	8,047,808
	20,466,547	**10,618,320**

Sensitivity analysis

The effect of the foreign exchange risk relating to equity investments (investment in SPFII) is recorded in profit or loss as part of the overall fair value movement in the investment (refer to Note 9(ii)). The effect of foreign exchange risk relating to cash and cash equivalents is recorded in profit or loss as a foreign exchange gain or loss.

The Fund considers a 10% movement in the AUD against USD as at 30 June 2021 (2020: 10%) to be a reasonable possibility at the end of the reporting period. The impact of the strengthening and weakening of AUD against USD in profit or loss and equity is shown by the amounts below as it relates to cash and cash equivalents, receivables and equity investments. This analysis assumes that all other variables remain constant.

	AUD STRENGTHENED			AUD WEAKENED		
	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
2021						
Cash and cash equivalents	10%	(45,022)	(45,022)	(10%)	55,027	55,027
Receivables	10%	(1)	(1)	(10%)	1	1
Equity investments	10%	(1,815,573)	(1,815,573)	(10%)	2,219,033	2,219,033
		(1,860,596)	**(1,860,596)**		**2,274,061**	**2,274,061**

	AUD STRENGTHENED			AUD WEAKENED		
	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
2020						
Cash and cash equivalents	10%	(233,676)	(233,676)	(10%)	285,604	285,604
Receivables	10%	(7)	(7)	(10%)	8	8
Equity investments	10%	(731,619)	(731,619)	(10%)	894,201	894,201
		(965,302)	**(965,302)**		**1,179,813**	**1,179,813**

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to individual investments or factors affecting all instruments traded in the market.

Sensitivity analysis

The Fund considers a 10% increase or decrease to be a reasonably possible change in market prices at the reporting date. The sensitivity analysis below reflects the Fund's proportionate exposure to market price risk of the underlying equity investments of SPFII excluding any foreign exchange impact.

The impact of a 10% movement in market prices (excluding foreign exchange impact) on profit or loss and equity is shown in the table below:

	AVERAGE PRICE INCREASE			AVERAGE PRICE DECREASE		
	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
2021						
Equity investments	10%	**1,997,130**	**1,997,130**	(10%)	**(1,997,130)**	**(1,997,130)**
2020						
Equity investments	10%	**804,781**	**804,781**	(10%)	**(804,781)**	**(804,781)**

Interest rate risk

The Fund is exposed to interest rate risk on its variable rate bank deposits. The Fund currently does not hedge against this exposure.

Sensitivity analysis

The Fund considers a 50 basis point increase or decrease to be a reasonably possible change in interest rates. The impact of a 50 basis point movement in interest rates on profit or loss and equity is shown in the table below.

	BASIS POINTS INCREASE			BASIS POINTS DECREASE		
	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
2021						
Variable rate bank deposits	50	**18,354**	**18,354**	(50)	**(18,354)**	**(18,354)**
2020						
Variable rate bank deposits	50	**15,598**	**15,598**	(50)	**(15,598)**	**(15,598)**

B) CREDIT RISK

Credit risk is the risk that contracting parties to a financial instrument will cause a financial loss for the Fund by failing to discharge an obligation. The Fund manages credit risk by ensuring deposits are made with reputable financial institutions with investment grade credit ratings.

The carrying amount of financial assets that represents the maximum credit risk exposure at the end of reporting period are detailed below:

	2021 $	2020 $
Summary of exposure		
Cash and cash equivalents	3,670,753	3,119,676
Interest receivable	37	232
GST receivable	1,540	1,622
Receivable from unitholders	24,600	-
	3,696,930	**3,121,530**

C) LIQUIDITY RISK

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's liquidity primarily comprises cash at bank totalling $3,670,753 at 30 June 2021. In accordance with the Constitution, the Responsible Entity can call on the unpaid amount of partly paid units as required. At 30 June 2021, $0.30 per partly paid unit is yet to be called, amounting to $3,056,017. Together, these are held to cover the Fund's day-to-day running costs and expenditures and to fund its capital commitments to SPFII which total $4,580,495 at balance date.

The following is the contractual maturity of financial liabilities and capital commitments. The table has been drawn based on the undiscounted cash flows of liabilities based on the earliest date on which the Fund can be required to settle the liability.

2021	LESS THAN 12 MONTHS	AT CALL	REMAINING CONTRACTUAL MATURITIES
Non-derivatives			
Non-interest bearing			
Trade and other payables	14,750	-	14,750
Capital commitments	-	4,580,495	4,580,495
Total non-derivatives	**14,750**	**4,580,495**	**4,595,245**

2020	LESS THAN 12 MONTHS	AT CALL	REMAINING CONTRACTUAL MATURITIES
Non-derivatives			
Non-interest bearing			
Trade and other payables	9,673	-	9,673
Capital commitments	-	10,490,309	10,490,309
Total non-derivatives	**9,673**	**10,490,309**	**10,499,982**

13. FAIR VALUE MEASUREMENT

FAIR VALUE

The fair value of financial assets and financial liabilities approximate their carrying values at the reporting date.

The table below analyses recurring fair value measurements for financial assets and financial liabilities. The fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation techniques used. The different levels are defined as follows:

— **Level 1**: Quoted prices (unadjusted) in active markets for identical financial assets or liabilities

— **Level 2**: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

— **Level 3**: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2021	LEVEL 1 $	LEVEL 2 $	LEVEL 3 $	TOTAL $
Financial assets carried at fair value				
Other financial assets – equity investment constituting interest in Square Peg Fund II	-	-	19,971,299	19,971,299
Total assets	**-**	**-**	**19,971,299**	**19,971,299**

2020	LEVEL 1 $	LEVEL 2 $	LEVEL 3 $	TOTAL $
Financial assets carried at fair value				
Other financial assets – equity investment constituting interest in Square Peg Fund II	-	-	8,047,808	8,047,808
Total assets	**-**	**-**	**8,047,808**	**8,047,808**

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the transfer has occurred. There were no transfers between levels during the financial year.

Details of the determination of level 3 fair value measurements including the valuation technique adopted and the key underlying unobservable inputs used are set out in Note 9.

While the COVID-19 pandemic has caused uncertainty and market volatility during the year, the Fund has continued to follow its established policies and process (as set out in this note) in managing risk and determining the fair value of the financial assets and liabilities as at the reporting date. No changes were required to the principles used in applying the fair value measurement hierarchy to financial assets and liabilities held, with each asset and liability continuing to be classified in a manner which reflects the significance and observability of the inputs used in the valuation.

14. CONTINGENT LIABILITIES

The directors of the Responsible Entity are not aware of any potential liabilities or claims against the Fund as at balance date.

15. CAPITAL COMMITMENTS

Other than the capital commitments disclosed in Note 9(v) to the financial statements, the Fund does not have any other capital commitments outstanding for the financial year ended 30 June 2021.

16. RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL

Stuart Nisbett, Warwick Keneally, Mike Adams and Peter Shear are directors of the Responsible Entity of the Fund, E&P Investments Limited, and are deemed to be key management personnel.

The key management personnel do not receive compensation from the Fund or from the Responsible Entity directly for their management function performed for the Fund.

As at reporting date, details of directors who hold units for their own benefit or who have an interest in holdings through a third party and the total number of such units held are listed as follows:

	2021 $	2020 $
Warwick Keneally	**2,500**	**2,500**

Stuart Nisbett, Mike Adams and Peter Shear do not hold units in the Fund as at 30 June 2021 (2020: nil).

RELATED PARTY INVESTMENTS IN THE SCHEME

The Responsible Entity or its associates does not hold any investments in the scheme.

RESPONSIBLE ENTITY SERVICES

a) Responsible Entity and Administration fees

The Responsible Entity's duties include establishing the compliance plan and procedures and monitoring against regulatory and legislative requirements, the issuance of disclosure documents, the appointment and monitoring of external service providers to the Fund and overall administration of the Fund. As Responsible Entity, E&P Investments Limited charges a fee of 0.58% per annum (exclusive of GST) of the gross asset value of the Fund, representing a Responsible Entity fee of 0.08% (exclusive of GST) per annum and an Administration fee of 0.50% per annum (exclusive of GST).

Total Responsible Entity and Administration fees paid or payable to the Responsible Entity for the year ended 30 June 2021 were $117,242 (2020: $109,335), exclusive of GST, and included in management and administration fees in profit or loss.

b) Fund administration fee

Australian Fund Accounting Services Pty Limited, a related party of the Responsible Entity, provides fund administration services to the Fund under an agreement with the Responsible Entity. These services include net asset valuation, management accounting, statutory reporting, capital management and taxation. The Responsible Entity has agreed to bear the cost of the fund administration services and, as such, there were no fund administration fees paid out of the assets of the Fund.

c) Custodial services

The Responsible Entity provided custodial services to the Fund in its personal capacity (**Custodian**) under a custody arrangement with E&P Investments Limited up to 17 August 2020. Effective 17 August 2020, the Fund's custodial services were fully outsourced to an external service provider on the same commercial terms as those provided by the Custodian. The Responsible Entity has agreed to bear the cost of the custodial services and, as such, there were no custody fees paid out of the assets of the Fund.

d) Legal and consulting services

MDA1 Pty Limited, trading as MA Law, provides legal and consulting services to the Responsible Entity and the investment schemes under its control. Mike Adams, a director of the Responsible Entity, is also a director and shareholder of MDA1 Pty Limited. The Responsible Entity has agreed to bear the cost of the legal and consulting services and, as such, there were no legal and consulting fees paid out of the assets of the Fund.

17. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	2021 $	2020 $
Profit after income tax expense for the year	6,381,780	959,165
Adjustments for:		
Fair value movements of equity investments	(6,728,899)	(1,201,374)
Net foreign exchange loss	225,998	176,541
Change in operating assets and liabiities:		
Decrease in receivables	277	4,056
Increase in payables	5,077	9,673
Net cash used in operating activities	**(115,767)**	**(51,939)**

18. REMUNERATION OF AUDITORS

During the financial year, the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Fund:

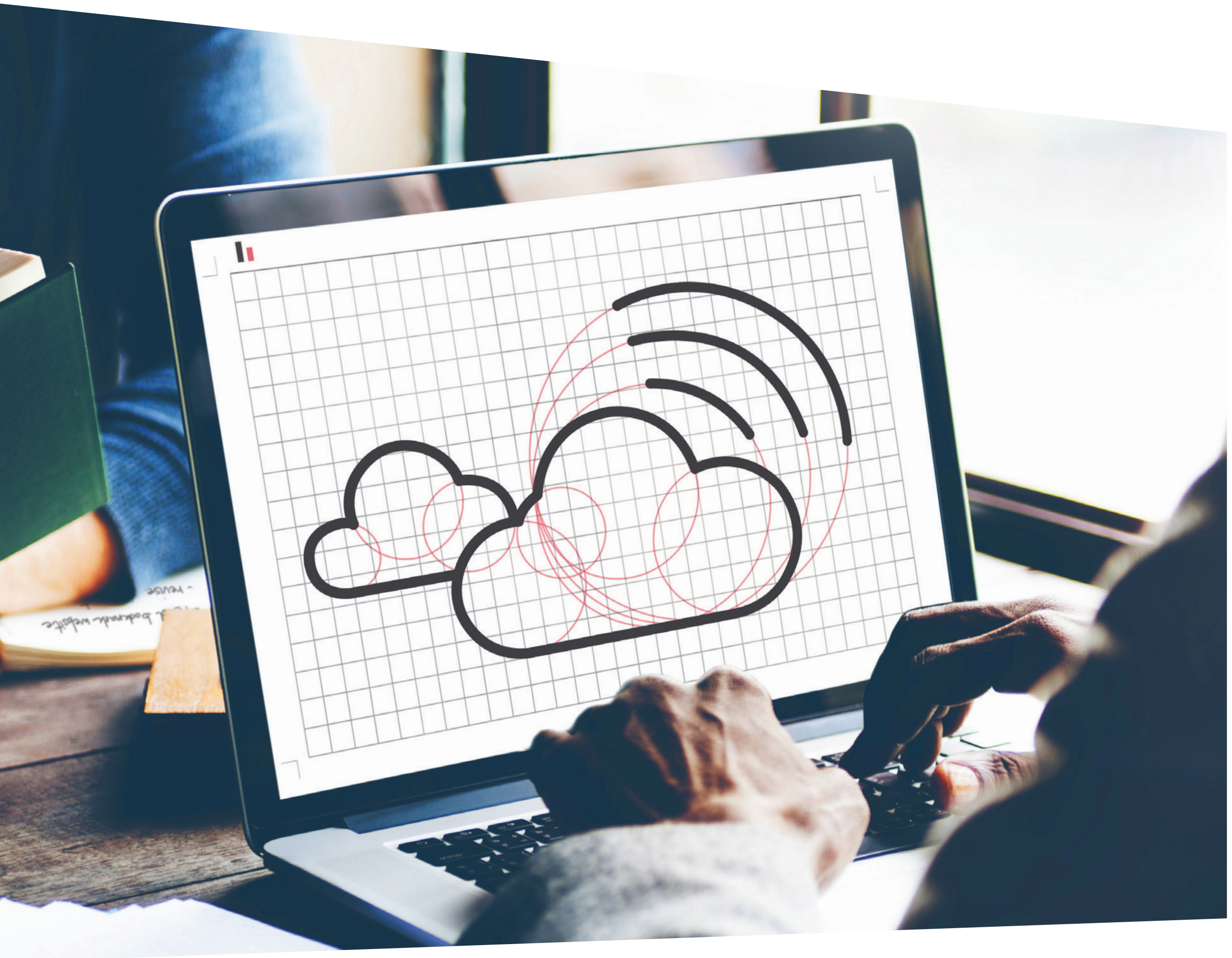
	2021 $	2020 $
Audit or review of the financial statements	**29,800**	**28,500**

E&P Investments Limited, the Responsible Entity of the Fund, has agreed to bear the cost of the audit for the reporting period.

19. EVENTS AFTER THE REPORTING PERIOD

On 9 July 2021, SPFII made its fourteenth capital call of US$444,113. The capital call was paid on 21 July 2021.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.



Directors' Declaration

The directors of the Responsible Entity declare that, in the directors' opinion:

— the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and the *Corporations Regulations 2001*;

— the attached financial statements are in compliance with International Financial Reporting Standards as stated in the notes to the financial statements;

— the attached financial statements and notes give a true and fair view of the Fund's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

— there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors of the Responsible Entity

Stuart Nisbett
Chair of E&P Investments Limited

15 September 2021

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu
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Australia

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Independent Auditor's Report to the unitholders of Venture Capital Opportunities Fund

Opinion

We have audited the financial report of Venture Capital Opportunities Fund (the "Fund") which comprises the statement of financial position as at 30 June 2021, 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, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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

(i) giving a true and fair view of the Fund's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(ii) complying with 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of E&P Investments Limited (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 the Responsible Entity (the "directors") are responsible for the other information. The other information comprises the information included in the Fund's annual report for the year ended 30 June 2021, but does not include the 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.

Responsibilities of the Directors for the Financial Report

The directors 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.

Deloitte.

In preparing the financial report, the directors are responsible for assessing the ability of the Fund 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 has 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 Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Weng W Ching
Partner
Chartered Accountants
Sydney
15 September 2021

VENTURE CAPITAL OPPORTUNITIES FUND

INVESTING IN SQUARE PEG II

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