VENTURE CAPITAL OPPORTUNITIES FUND

INVESTING IN SQUARE PEG II

Annual Report

For the period 1 May 2018 (date of registration) to 30 June 2019

(ARSN 625 636 473)

RESPONSIBLE ENTITY:

WALSH & COMPANY INVESTMENTS LIMITED

(ACN 152 367 649) (AFSL 410 433)

Directory

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CONTENTS

Chairman's letter

Dear Unitholders,

Welcome to the inaugural Annual Report on the performance for the Venture Capital Opportunities Fund (the **Fund**) for the period 1 May 2018 to 30 June 2019 (**FY19**).

SUCCESSFUL COMPLETION OF FIRST FULL YEAR

The Venture Capital Opportunities Fund was launched in May 2018 to provide unitholders with exposure to technology and disruptive companies in the start-up stage of development. This is accomplished by the Fund in which you are an investor investing into Square Peg Fund II (**SPFII**), a fund managed by Square Peg Capital Limited (the **Manager**). The underlying companies which SPFII has invested in are located predominantly in Australia, Israel and South-East Asia.

FINANCIAL PERFORMANCE

We are pleased with the performance achieved by the Fund to date. For the reporting period 1 May 2018 to 30 June 2019, the Fund returned 17.0% on an invested capital basis, inclusive of the 1.46 cent per unit distribution announced on 24 June 2019.

The financial results for FY19 are reflective of the preliminary investing stage of the Fund and include the uplift due to the Puresec transaction and positive revaluation of other SPFII investments. In this first financial period, the Fund posted a net profit of $1.5 million or 17.66 cents per unit. The key components of this result were a $1.2 million fair value movement gain on the Fund's investment in Square Peg Fund II and a $0.2 million foreign exchange movement gain. At 30 June 2019, the Fund had net assets of $10.2 million representing $1.00 per unit.

As outlined in further detail in the Report to Unitholders below, the sale of one of SPFII's earliest investments, PureSec, has already had a positive impact on the value of the Fund units, and far earlier than had been anticipated.

FUND STRUCTURE AND INVESTMENTS

Units in the Fund were issued on a partly paid, or instalment basis. Units were initially issued at $1.80 per unit and as at 30 June 2019, investors have paid three instalments, totalling 90 cents per unit or 50% 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 2019, SPFII was 19.7% invested in four early stage technology businesses after one of the early investments in SPFII, Puresec, was acquired by US-listed company Palo Alto Networks (NYSE: PANW) in June 2019. Subsequent to 30 June, SPFII made its sixth nvestment, leading a funding round (Series A) for Q-CTRL, an Australian company that is a provider of software tools to the quantum computing industry.

STRATEGY

The investment and advisory team employed by the Manager has substantial expertise in identifying strong businesses which utilise technology to meet the requirements of new markets and disrupt current operating models. Since inception, the Manager has made a number of 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 and cybersecurity 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 2020 financial year. Whilst it is still early in the investment cycle for the Fund, we are pleased with the progress of the Manager in relation to investing Fund capital and are confident the Fund will play an instrumental part in assisting new businesses with innovative products and services to transform and improve marketplaces.

Yours faithfully

Alex MacLachlan
Chairman of Walsh & Company Investments Limited

13 September 2019

Report to unitholders

Venture capital markets have remained active over the past year despite some volatility in more traditional and larger equity and debt capital markets. Activity has been particularly strong in those regions and market hubs that have built a reputation for innovation and disruption, providing many excellent investment opportunities. The Manager remains optimistic that this growing trend in start-up and funding activity in these areas will continue as Square Peg Fund II (**SPFII**) continues to deploy investors' capital.

The Manager continues to focus on identifying and building investment opportunities in Australia, Israel and South- East Asia. In many South-East Asian markets, as well as Australia, there has been a significant increase in start-up activity and many more early stage businesses evolving into substantial companies directing their attention to regional and/or global opportunity sets. The Israeli market is one where this transformation from a locally focussed economy to a global leader in innovation has already provided substantial investment opportunity and where the Manager has already achieved success.

SPFII has, to balance date, made investments into five early stage technology businesses: Aidoc, Deputy, FinAccel, Puresec and most recently, Amber Electric (**Amber**), a domestic energy retailer. The investment in PureSec was realised in-full following the completion of the acquisition of the company in June 2019 by Palo Alto Networks – a large global cybersecurity provider.

INVESTMENTS AT BALANCE DATE

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

AIDOC

SPFII finalised an investment in Aidoc in April 2019, leading the Series B funding round. Aidoc's solutions support and enhance the diagnostic power of radiologists, helping them expedite patient treatment and improve quality of care. Radiologists benefit from Aidoc's deep learning AI technology that identifies physical anomalies and flags the most urgent cases, helping them prioritise life threatening cases and accelerate patient care. Since it was initially founded in 2016, Aidoc's solutions have been deployed at more than 100 leading medical centres, with more than one million scans analysed.

Following US Food and Drug Administration (**FDA**) approval of their first product in late 2018, Aidoc has received two further FDA approvals in the last two months (for spine fracture and pulmonary embolism). The company's strategy is to continue to expand and deliver new products, to eventually cover the entire body, while also remaining highly focused on acquiring new customers.

DEPUTY

Deputy has developed a Software as a Service (**SaaS**) product that assists organisations of any size 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.

Deputy experiences high advocacy from both employers and shift workers. This advocacy has led to growth as many shift workers tend to move frequently between organisations and recommend the use of the product. The business has continued to exhibit solid expansion, generating strong revenue growth, broadly in line with user growth, which has risen approximately 75% year-on-year (1H 2019).

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.

The company has continued to grow strongly with year-on-year (1H 2019) active user growth of more than 100%. Transaction value growth on a per-user basis was also positive. There has been rapid adoption of FinAccel's standalone personal loan products, where transaction value has more than doubled from 1H2019 compared to 2H2018. To support this growth the company expanded its funding sources, which now includes multiple Indonesian banks, as well as an increasing number of international institutions.

FinAccel continues to execute aggressively and move into additional products to improve and defend its value proposition. The company is progressing with the acquisition of a regulatory licence which will enable it to offer more products in Indonesia. Work also continues on scoping out additional geographies, outside of Indonesia, to launch into.

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. The Manager recently led a seed funding round for Amber, which will allow it to expand from existing markets Sydney and South Australia, across the eastern seaboard of Australia.

Amber provides electricity to customers at the wholesale market price, without any mark-up. Instead of a 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.

SALE OF PURESEC

PureSec was founded in 2016 and was the first company to identify the need for a new security solution and then build an end-to-end product tailored for serverless applications. PureSec had first mover advantage and was seeking to be the dominant security solution as serverless computing grows.

During FY19, PureSec, entered into an agreement to be acquired by Palo Alto Networks, one of the world's leading cybersecurity providers. This resulted in a return of approximately two times the amount invested in Puresec by SPFII.

This sale was significantly earlier than Square Peg Capital had anticipated, given the business is still early in its lifecycle and the acquisition offer came as a surprise to the company. However, the founders saw an opportunity to be able to accelerate the growth of their business inside Palo Alto Networks. It is exciting that one of the world's leading cybersecurity providers, Palo Alto Networks, has in effect substantiated the Manager's investment thesis. Furthermore, it is also validation for PureSec that they are the leading player in the industry led by an exceptional team.

OUTLOOK

The Manager of SPFII applies an investment process focussed on technology which involves the search for companies that have the ability to change the world, or at the very least, a part of it. With this in mind, the investment professionals selecting companies spend considerable time examining how different aspects of society and business may change, what investment opportunities may arise and where they might occur.

Through its investment in SPFII, capital of the Fund has been allocated into five businesses that reflect the focus and skillset of the Manager and businesses that it believes have strong disruptive characteristics and excellent prospects for growth and development. Alongside the Manager, we anticipate that appropriate investment opportunities will continue to arise, as a function of innovation and natural development across society. We will continue to keep investors informed as the portfolio of companies that the Fund is exposed to continues to develop.

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: boardroomlimited.com.au

Directors' report

The directors of 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 period from 1 May 2018 (date of registration) to 30 June 2019.

DIRECTORS

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

- **Alex MacLachlan**
- **Warwick Keneally**
- **Mike Adams** (appointed 9 July 2018)
- **Tristan O'Connell** (resigned 9 July 2018)

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

INFORMATION ON DIRECTORS

ALEX MACLACHLAN

Alex joined Dixon Advisory in 2008 to lead the then newly formed Funds Management division, which later became Walsh & Company. From funds under management of under $100 million at the time of his start, Alex has grown Walsh & Company Group to over $6 billion of assets under management today, with investments across residential and commercial property, fixed income, private equity, listed equities and renewable energy. Prior to joining the firm, Alex was an investment banker at UBS AG, where he rose to Head of Energy for Australasia. During his tenure in investment banking, Alex worked on more than $100 billion in mergers and acquisitions and capital markets transactions, advising some of the world's leading companies.

Alex has a Bachelor of Arts from Cornell University and a Masters of Business Administration from The Wharton School, University of Pennsylvania.

WARWICK KENEALLY

Warwick is Interim Chief Financial Officer and Company Secretary of Evans Dixon Limited and Head of Finance at Walsh & Company, the Funds Management division of Evans Dixon Limited. Before joining Walsh & Company, 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 financial products and the regulatory framework within which they operate, as well as debt and equity financing, intellectual property, and film and television media 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 was appointed to the Board of Walsh & Company Investments Limited on 9 July 2018.

Mike is also a director with Barnett 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.

TRISTAN O'CONNELL

Tristan was Group Chief Financial Officer and Company Secretary for Evans Dixon Limited until 8 July 2019 and was a Director of Walsh & Company Investments Limited until 9 July 2018.

Tristan has a Bachelor of Commerce from the Australian National University, is a member of CPA Australia and is a Fellow of the Financial Services Institute of Australasia.

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 period 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.

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

REVIEW AND RESULTS OF OPERATIONS

The profit for the Fund after providing for income tax amounted to $1,473,408.

The key components of this result included a $1,179,169 fair value movement gain incurred on the Fund’s investment in Square Peg Fund II (**SPFII**) and a $197,320 foreign exchange gain during the period. As at 30 June 2019, the Fund had net assets of $10,200,500 representing $1.00 per unit. To date, the Responsible Entity has called $0.90 per partly paid unit from the Australian investors.

The Fund had a basic and diluted earnings per unit of 17.66 cents for the period ended 30 June 2019.

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 at 30 June 2019, had made investments into five early stage technology businesses. For the period ended 30 June 2019, these underlying companies made drawdown requests on SPFII to fund their investments, management fees and operating expenses. Net drawdown requests made by the underlying companies since inception to the end of the period totalled US$46.1 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 2019 was US$2.7 million (or $3.9 million).

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

No matter or circumstance has arisen since 30 June 2019 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 period – 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 period
- details of issued interests in the Fund during the financial period – 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 period.

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 period, 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 period, 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

Alex MacLachlan
Director

13 September 2019


DESIGN
IDEAS

Auditor's Independence Declaration

Deloitte.

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The Board of Directors
Walsh & Company Investments Limited
As Responsible Entity for
Venture Capital Opportunities Fund
Level 15, 100 Pacific Highway
North Sydney NSW 2060

13 September 2019

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 period ended 30 June 2019, 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 PERIOD ENDED 30 JUNE 2019

	NOTE	2019 $
Investment income		
Interest income		96,919
Foreign exchange gain		197,320
Fair value movements of equity investments	9	1,179,169
Profit before income tax expense		**1,473,408**
Income tax expense		-
Profit after income tax expense for the period		**1,473,408**
Other comprehensive income for the period, net of tax		-
Total comprehensive income for the period		**1,473,408**
		CENTS
Basic earnings per unit	6	17.66
Diluted earnings per unit	6	17.66

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 2019

	NOTE	2019 $
Assets		
Cash and cash equivalents	7	5,397,640
Receivables	8	532,433
Other financial assets	9	4,469,578
Total assets		**10,399,651**
Liabilities		
Trade and other payables	10	50,424
Distributions payable		148,727
Total liabiities		**199,151**
Net assets		**10,200,500**
Equity		
Issued capital	11	8,875,819
Retained earnings		1,324,681
Total equity		**10,200,500**

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

Statement of Changes in Equity

FOR THE PERIOD ENDED 30 JUNE 2019

	ISSUED CAPITAL $	RETAINED EARNINGS $	TOTAL EQUITY $
Balance at 1 May 2018			
Profit after income tax expense for the period	-	-	-
Other comprehensive income for the period, net of tax	-	1,473,408	1,473,408
Total comprehensive income for the period	**-**	**1,473,408**	**1,473,408**
Transactions with unitholders in their capacity as unitholders:			
Issued capital (Note 11)	9,016,778	-	9,016,778
Issue costs (Note 11)	(140,959)	-	(140,959)
Distributions paid (Note 5)	-	(148,727)	(148,727)
Balance at 30 June 2019	**8,875,819**	**1,324,681**	**10,200,500**

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

Statement of Cash Flows

FOR THE PERIOD ENDED 30 JUNE 2019

	NOTE	2019 $
Cash flows from operating activities		
Interest income received		91,009
Net GST received		46,867
Net cash from operating activities	17	**137,876**
Cash flows from investing activities		
Payments for investments		(3,793,657)
Net cash used in investing activities		**(3,793,657)**
Proceeds from issue of units	11	9,016,778
Payment of issue costs	11	(140,959)
Net cash from financing activities		**8,875,819**
Net increase in cash and cash equivalents		5,220,328
Cash and cash equivalents at the beginning of the financial period		-
Effects of exchange rate changes on cash and cash equivalents		177,602
Cash and cash equivalents at the end of the financial period	7	**5,397,640**

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

Notes to the Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2019

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 Fund was registered on 1 May 2018. Accordingly, there are no comparative balances and the current financial reporting period is from the date of registration to 30 June 2019. It is recommended that this financial report be read in conjunction with any public announcements made by the Fund during the period.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 13 September 2019. 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 period. These include:

- AASB 9 'Financial Instruments', and the relevant amending standards
- AASB 15 'Revenue from Contracts with Customers', AASB2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards - Effective Date of AASB 15' and AASB 2016-3 'Amendments to Australian Accounting Standards - Clarifications to AASB 15'
- IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration.

ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period and have not been early adopted by the Fund. The potential impact of the new or revised Standards and Interpretations has not yet been determined, but is not expected to be material.

Annual Improvements to IFRS Standards 2015-2017 Cycle

The interpretation is applicable to annual reporting periods beginning on or after 1 January 2019. The adoption of this standard from 1 July 2019 will not have a material impact on the Fund.

Amendments to References to the Conceptual Framework in IFRS Standards

The standard is applicable to annual reporting periods beginning on or after 1 January 2020. The adoption of this standard from 1 July 2020 is yet to be determined.

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.

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 will not meet the conditions to satisfy subsequent measurement at amortised cost, and will therefore be 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.

Distribution to unitholders

Distributions to unitholders are recognised in the reporting period in which the distributions are declared, determined, or publicly recommended by the Board of the Responsible Entity on or before the end of the financial period. A distribution payable is recognised in the Statement of Financial Position where the amount is not yet distributed at balance date.

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 expected to be 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 Square Peg Fund II.

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

Distributions paid during the financial period were as follows:

	2019 $
Distribution – 1.46 cents per unit paid on 2 August 2019	148,727

6. EARNINGS PER UNIT

	2019 $
Profit after income tax	1,473,408
	NUMBER
Weighted average number of ordinary units used in calculating basic earnings per unit	8,345,461
Weighted average number of ordinary units used in calculating diluted earnings per unit	8,345,461
	CENTS
Basic earnings per unit	17.66
Diluted earnings per unit	17.66

7. CASH AND CASH EQUIVALENTS

	2019 $
Cash at bank	5,397,640

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

8. RECEIVABLES

	2019 $
Interest receivable	5,910
GST receivable	3,438
Other receivables	119
Distributions receivable	522,966
	532,433

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:

	2019 $
Square Peg Global 2018 Trust	4,024,992
Square Peg Australia 2018 LP	444,586
Square Peg Fund II	**4,469,578**

(II) RECONCILIATION

	SQUARE PEG GLOBAL 2018 TRUST $	SQUARE PEG AUSTRALIA 2018 LP $	TOTAL $
Balance at 1 May 2018	-	-	-
Capital invested – at cost	3,344,087	469,288	3,813,375
Movement in fair value through profit or loss*	1,203,871	(24,702)	1,179,169
Distributions from SPFII	(522,966)	-	(522,966)
Balance at 30 June 2019	**4,024,992**	**444,586**	**4,469,578**

*Included in the 'movement in fair value' amount of $1,179,169 is an unrealised foreign exchange translation gain component of $104,719. 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$266,293.

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

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. 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. The fair values assigned by SPFII are based on a range of factors, including but not limited to the price at which the investments were acquired, the price of the most recent funding round with external investors, the value determined by any merger and acquisition events or, for an investment that has listed on an exchange, the price of the listed stock. 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 2019, the Fund has made capital commitments totalling US$11.2 million to SPFII, of which US$2.7 million has been called at balance date.

As at 30 June 2019, the Fund has uncalled capital commitments of US$8.5 million (or $12.1 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 period end exchange rate of 0.7020.

10. TRADE AND OTHER PAYABLES

	2019 $
Trade payables	50,424

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

	2019 UNITS	2019 $
Ordinary units – partly paid	**10,186,723**	**8,875,819**

MOVEMENTS IN ORDINARY UNIT CAPITAL

	DATE	UNITS	$
Balance	1 May 2018	-	-
Partly paid ordinary units	17 July 2018	10,186,723	9,016,778
Issue costs		-	(140,959)
Balance	**30 June 2019**	**10,186,723**	**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.

The first two instalments of $0.30 per partly paid unit were called on 11 July 2018, and 10,186,723 ordinary units were subsequently issued on 17 July 2018. The third instalment of $0.30 per partly paid unit was called on 31 May 2019.

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 $8,875,819. 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 0.7020.

	2019 $
Cash and cash equivalents	2,068,675
Receivables	527,983
Equity investments	4,469,578
	7,066,236

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 2019 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		
2019	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
Cash and cash equivalents	10%	(188,061)	(188,061)	(10%)	229,853	229,853
Receivables	10%	(47,998)	(47,998)	(10%)	58,665	58,665
Equity investments	10%	(406,325)	(406,325)	(10%)	496,620	496,620
		(642,384)	**(642,384)**		**785,138**	**785,138**

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		
2019	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
Equity investments	10%	446,958	446,958	(10%)	(446,958)	(446,958)

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		
2019	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
Variable rate bank deposits	50	26,988	26,988	(50)	(26,988)	(26,988)

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:

	2019 $
Summary of exposure	
Cash and cash equivalents	5,397,640
Interest receivable	5,910
GST receivable	3,438
Other receivable	119
Distributions receivable	522,966
	5,930,073

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 $5,397,640 at 30 June 2019. In accordance with the Constitution, the Responsible Entity can call on the unpaid amount of partly paid units as required. At 30 June 2019, $0.90 per partly paid unit is yet to be called, amounting to $9,168,051. 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 $12,064,567 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.

2019	LESS THAN 12 MONTHS	AT CALL	REMAINING CONTRACTUAL MATURITIES
Non-derivatives			
Non-interest bearing			
Trade and other payables	50,424	-	50,424
Capital commitments	-	12,064,567	12,064,567
Total non-derivatives	**50,424**	**12,064,567**	**12,114,991**

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).

2019	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	-	-	4,469,578	4,469,578
Total assets	**-**	**-**	**4,469,578**	**4,469,578**

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 period.

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.

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 period ended 30 June 2019.

16. RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL

Alex MacLachlan, Warwick Keneally and Mike Adams are directors of the Responsible Entity, Walsh & Company Investments Limited and are deemed to be key management personnel. Tristan O'Connell resigned as a director of the Responsible Entity effective 9 July 2018.

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:

	2019 $
Alex MacLachlan	27,500
Warwick Keneally	2,500
	30,000

RELATED PARTY INVESTMENTS IN THE SCHEME

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

MANAGEMENT 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, Walsh & Company 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).

The Responsible Entity has agreed to waive the Responsible Entity and Administration fees for the first 12 months after the Issue Date of 17 July 2018 and, as such, there were no Responsible Entity and Administration fees paid out of the Fund for the period ended 30 June 2019.

ISSUE COSTS

The Responsible Entity is entitled to receive a structuring fee of 1.5% (exclusive of GST) on the gross proceeds raised under the Product Disclosure Statement dated 8 June 2018. Total structuring fees received by the Responsible Entity for the period ended 30 June 2019 was $137,521, exclusive of GST.

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.

CUSTODIAL SERVICES

Effective 13 February 2019, the Responsible Entity changed the Fund's custodian and entered into a custody agreement with Walsh & Company Investments Limited in its personal capacity (**Custodian**) to provide custodial services to the Fund. 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.

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

	2019 $
Profit after income tax expense for the period	1,473,408
Adjustments for:	
Fair value movements of equity investments	(1,179,169)
Net foreign exchange gain	(197,320)
Change in operating assets and liabiities	
(Increase) in receivables	(9,467)
Increase in payables	50,424
Net cash from operating activities	**137,876**

18. REMUNERATION OF AUDITORS

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

	2019 $
Audit services – Deloitte Touche Tohmatsu	
Audit or review of the financial statements	26,000
Other services – Deloitte Touche Tohmatsu	
Investigating Accountant's Report	36,000
	62,000

Walsh & Company 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

No matter or circumstance has arisen since 30 June 2019 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 2019 and of its performance for the financial period 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

Alex MacLachlan
Director

13 September 2019

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu
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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 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period 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 2019 and of its financial performance for the period 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 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 Fund, 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 are responsible for the other information. The other information comprises the information included in the Fund's annual report for the period ended 30 June 2019, 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 of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such

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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 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, 13 September 2019

VENTURE CAPITAL OPPORTUNITIES FUND

INVESTING IN SQUARE PEG II

VCOF.COM.AU