

The Gemi Fund

ABN 79 801 857 098

Annual report for the year ended 30 June 2021

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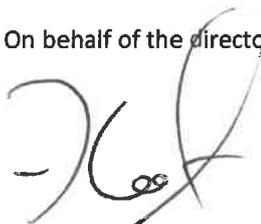
Directors' Declaration

The directors of Gemi Asset Management Pty Ltd (ABN 88 092 408 627, AFSL 231 175) (the "Trustee") have determined that The Gemi Fund (the "Fund") is not a reporting entity. This special purpose financial report has been prepared in accordance with the Australian Accounting Standards and the basis of accounting outlined in Note 2 to the financial statements.

The directors of the Trustee declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the financial statements and notes thereto are in compliance with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 2 to the financial statements and present fairly the financial position and performance of the Fund.

On behalf of the directors of the Trustee, Gemi Asset Management Pty Ltd.



Michael Cooper

Director

16 September 2021

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Income			
Interest income	3	7,877,082	1,258,438
Total income		<u>7,877,082</u>	<u>1,258,438</u>
Expenses			
Trustee Fee		689,036	92,783
Bank Fee		19	41
Total expenses		<u>689,055</u>	<u>92,824</u>
Net income attributable to unitholders before finance costs		<u>7,188,027</u>	<u>1,165,614</u>
Finance costs attributable to unitholders			
Distributions to unitholders		(7,188,027)	(1,165,614)
Increase/(decrease) in net assets attributable to unitholders		-	-
Net profit attributable to unitholders after finance costs		<u>-</u>	<u>-</u>
Other comprehensive income for the year		-	-
Total comprehensive income		<u>-</u>	<u>-</u>

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

	Notes	30 June 2021 \$	30 June 2020 \$
Assets			
Current assets			
Cash and cash equivalents	4 (a)	15,425,436	9,889,900
Financial assets - loans	5	92,024,753	19,304,229
GST receivable		27,988	2,802
Interest receivable		1,080,064	257,740
Total current assets		108,558,241	29,454,671
Total assets		108,558,241	29,454,671
Liabilities			
Current liabilities			
Payables and accruals	6	486,153	140,860
Total current liabilities		486,153	140,860
Total liabilities		486,153	140,860
Net assets attributable to unitholders - liabilities		108,072,088	29,313,811

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Net Assets Attributable to Unitholders for the year ended 30 June 2021

	Net assets attributable to unitholders of the Fund \$
Opening balance as at 1 July 2020	29,313,811
Applications for units by unitholders	93,943,254
Redemptions of units by unitholders	(16,663,763)
Reinvestments by unitholders	1,478,786
Increase/(decrease) in net assets attributable to unitholders	-
Balance as at 30 June 2021	108,072,088
	Net assets attributable to unitholders of the Fund \$
Opening balance as at 1 July 2019	3,203,715
Applications for units by unitholders	27,775,495
Redemptions of units by unitholders	(1,905,345)
Reinvestments by unitholders	239,946
Increase/(decrease) in net assets attributable to unitholders	-
Balance as at 30 June 2020	29,313,811

The above Statement of Changes in Net Assets Attributable to Unitholders should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 30 June 2021

	1 July 2020 to 30 June 2021	1 July 2019 to 30 June 2020
Notes	\$	\$
Cash flows from operating activities		
Interest received	6,588,734	1,054,406
Payments to suppliers	(646,298)	(71,182)
Investment in financial assets	(72,254,501)	(16,100,514)
Net cash outflow from operating activities	4 (b) (66,312,065)	(15,117,290)
Cash flows from financing activities		
Proceeds from issue of units	94,043,254	27,775,495
Payments for redemptions of units	(16,763,763)	(1,905,345)
Distributions paid to unitholders	(5,431,890)	(862,960)
Net cash inflow from financing activities	71,847,601	25,007,190
Cash and cash equivalents at the beginning of the year	9,889,900	-
Net increase in cash and cash equivalents	5,535,536	9,889,900
Cash and cash equivalents at the end of the year	4 (a) 15,425,436	9,889,900

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. General Information

The financial report covers The Gemi Fund (ABN 79 801 857 098) (the “Fund”) which is an unlisted and unregistered managed investment scheme, structured as a unit trust.

The Fund pools investor’s money and invests into an underlying portfolio of loans predominantly secured by real property mortgages over real estate assets located in Australia.

The trustee for the Fund is Gemi Asset Management Pty Ltd (ABN 88 092 408 627, AFSL 231 175) (the “Trustee”). The Trustee’s registered office and principal place of business is Level 6, 4 Martin Place, Sydney NSW 2000.

The Fund was established by a constitution on 24 April 2019 and commenced operation on 1 May 2019 via the issue of units to unitholders. The financial report covers the year ended 30 June 2021.

The investment manager for the Fund is Gemi Investments Pty Ltd (ACN 626 991 213) (the “Manager”).

The financial statements were authorised for issue by the directors on 16 September 2021.

2. Significant Accounting Policies

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

a) Statement of compliance

The Fund is not a reporting entity as in the opinion of the directors of the Trustee that there are unlikely to exist any users of the financial report who are unable to command the preparation of reports tailored to satisfy specifically all of their information needs. Accordingly, this special purpose financial report has been prepared at the request of the Trustee.

b) Basis of preparation

This special purpose financial report is presented in Australian dollars and has been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations and the disclosure requirements of Accounting Standards.

- AASB 101 Presentation of Financial Statements
- AASB 107 Statement of Cash Flows
- AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors
- AASB 1054 Australian Additional Disclosures

Accounting Standards include Australian equivalents to International Financial Reporting Standards (“AIFRS”).

c) Going concern basis

This special purpose financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

2. Significant Accounting Policies (continued)

d) Revenue and income recognition

Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured.

Interest income

The Fund generates interest income from its investments in financial assets, loans and cash investments. Interest income is recognised daily as it accrues, taking into account the actual interest rate on the financial asset and is recognised in profit or loss.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

f) Distributions

In accordance with the Fund's constitution, the Fund attributes its distributable (taxable) income and any other amounts determined by the trustee to the unitholders. Reinvested distributions are recognised as changes in equity.

g) Financial instruments

Classification and Measurement

The classification is determined by the purpose underpinning the acquisition of the investment.

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that represent solely payment of principal and interest requirements. Interest income from these financial assets is recognised in profit or loss.

Accordingly, the Fund classifies its financial assets as measured at amortised cost.

Derecognition

Financial assets are derecognised if the Fund's contractual rights to the cash flows from the financial assets expire, or if the Fund transfers the financial assets to another party without retaining substantially all the risks and rewards attached to the asset.

Any gain or loss arising on derecognition is recognised in profit or loss.

Impairment

The Trust assesses on a forward-looking basis the expected credit loss (if any) associated with the financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Any impairment loss is recognised in the statement of profit or loss.

h) Payables

Trade and other payables are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services.

2. Significant Accounting Policies (continued)

i) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:

- where the amount of GST is not recoverable from the taxation authority, it is recognised as part of the acquisition of an asset or part of an item of expense; or for receivables and payables which are recognised inclusive of GST.
- the net amount of GST recoverable from, or payable to, the taxation authority is recognised as a receivable or payable on the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST component of cash flows arising from investing activities which is recoverable from or payable to the taxation authority is classified as operating cash flow.

The GST incurred on the cost provided to the Fund by third party such as Trustee fees was subjected to the Reduced Input Tax Credits ("RITC") in accordance with legislation.

j) Taxation

Under current income tax legislation the Fund is not liable to pay income tax as the net income of the Fund is assessable in the hands of the beneficiaries (the unitholders) who are 'presently entitled' to the income of the Fund. There is no income of the Fund to which the unitholders are not presently entitled and additionally, the Trust Deed requires the distribution of the full amount of the net income of the Fund to the unitholders each period.

As a result, deferred taxes have not been recognised in the financial statements in relation to differences between the carrying amounts of assets and liabilities and their respective tax bases, including taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. If taxable gains are realised by the Fund, these gains would be included in the taxable income that is assessable in the hands of the unitholders as noted above.

3. Interest Income

	2021	2020
	\$	\$
Interest income - St George	745	1,662
Interest Income - One Cash Management Fund	21,716	-
Interest Income - The Gemi Cash Management Fund	16,726	-
Interest income - Investment	7,837,895	1,256,776
Total Interest Income	7,877,082	1,258,438

4. Cash and Cash Equivalents

a) Cash and cash equivalents include cash at bank. Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	30 June 2021	30 June 2020
	\$	\$
Cash at bank	490,929	9,889,900
Cash in The Gemi Cash Management Fund	14,934,507	-
Balance at end of year	15,425,436	9,889,900

Cash at bank earns interest at floating rates based on daily bank deposit rates.

b) Reconciliation of net income attributable to unitholders for the year to net cash used in operating activities:

	1 July 2020 to 30 June 2021	1 July 2019 to 30 June 2020
	\$	\$
Increase/(decrease) in net assets attributable to unitholders	-	-
Adjustment for:		
Distributions to unitholders	7,188,027	1,165,614
Capitalised interest	(466,023)	-
Changes in assets and liabilities:		
Net changes in receivable	(847,510)	(206,835)
Net changes in payables and accruals	67,942	24,445
Net changes in financial assets	(72,254,501)	(16,100,514)
Net cash used in operating activities	(66,312,065)	(15,117,290)

c) Non-cash financing activities

Non-cash financing activities of \$1,478,786 were incurred for the financial year ended 30 June 2021 (2020: \$239,946).

5. Financial Assets

	30 June 2021	30 June 2020
	\$	\$
Loan investment	92,024,753	19,304,229
Total loan investment	92,024,753	19,304,229

The Fund predominantly invests in an underlying portfolio of 1st ranking loans secured by real estate in Australia, secured by real property mortgages. All investments are made in accordance with the Fund's Lending Guidelines.

6. Payable and Accrual

	30 June 2021	30 June 2020
	\$	\$
Distribution payable	170,077	42,695
Distribution reinvestment	217,943	71,559
WHT payable	4,891	1,307
Trustee fee payable	93,242	25,299
Balance at end of year	486,153	140,860

7. Remuneration of auditors

	30 June 2021	30 June 2020
	\$	\$
Audit of the financial statements	13,200	12,540
Balance at end of year	13,200	12,540

The auditor of The Gemi Fund is Crowe Sydney. Audit fee will be paid by the Trustee.

8. Related Party Transaction

Transactions with related parties were on terms and conditions no more favourable than those applying in the ordinary course of business.

(a) Transactions with the Trustee and its associated entities

The trustee of the Fund is Gemi Asset Management Pty Ltd (ABN 88 092 408 627, AFSL 231 175).

The key personnel of the Trustee for the financial year ended 30 June 2021 were:

Name	Title
George Fleming	Chief Executive Officer and The Secretary of the Licensee
Michael Cooper	Executive Director
Justin Epstein	Responsible Manager

Key personnel of the Trustee and their associated entities hold the following units and interest in the Fund as at 30 June 2021. No fees or remuneration was paid directly to the key personnel from the Fund during the year.

	30 June 2021			30 June 2020		
	Class	Units held	% of the Fund	Class	Units held	% of the Fund
Vamico Pty Ltd	Manager	2,313,495	2.14%	Manager	2,313,495	7.89%
Gemi Investors Pty Ltd	Manager	1,700,892	1.57%	Manager	1,700,892	5.80%
Egartibra Pty Ltd	Manager	1,156,747	1.07%	Manager	1,156,747	3.95%
		5,171,134	4.78%		5,171,134	17.64%

8. Related Party Transaction (continued)

(a) Transactions with the Trustee and its associated entities(continued)

Trustee fees

Trustee fees of \$689,036 (inclusive of non-claimable RITC amount) were incurred for the financial year ended 30 June 2021 (2020: \$92,783), of which \$93,241 (inclusive of non-claimable RITC amount) was payable at 30 June 2021.

There were no other fees paid or payable to the Trustee for the financial year ended 30 June 2021.

Management fees

The Manager is not entitled to a fee payable out of the assets of the fund.

There were no other fees paid or payable to the Manager for the financial year ended 30 June 2021.

9. Subsequent Events

There has not been any matter or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the financial position of the Fund, the result of the Fund, or the state of affairs of the Fund in future financial years.

10. Commitments and Contingencies

There were no contingent assets and liabilities or commitments as at 30 June 2021 (2020:Nil).

11. Impact of COVID-19

As the impact of the COVID-19 pandemic is continuing, the investment manager for the Fund, Gemi Investments Pty Ltd (ACN 626 991 213) (the "Investment Manager") has been monitoring both the valuation of the Fund's assets and the Fund's liquidity.

The Investment Manager will continue to closely monitor market situations to ensure that valuations remain appropriate.

Independent Auditor's Report to the Unitholders of The Gemi Fund

Opinion

We have audited the financial report of The Gemi 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 cash flows and the statement of changes in net assets attributable to unitholders for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Fund.

In our opinion, the accompanying financial report of the Fund for the year ended 30 June 2021 is prepared, in all material respects, in accordance with the basis of accounting as described in Note 2 to the financial report.

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 ethical requirements of the Accounting Professional and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared by the Trustee to satisfy the requirements of the Trust Deed and to meet the needs of the unitholders. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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Trustee's Responsibility for the Financial Report

The directors of Gemi Asset Management Pty Ltd as Trustee of the Fund are responsible for the preparation of the financial report in accordance with basis of accounting as stated in Note 2 of the financial report and for such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Trustee either intends 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 those charged with governance.
- Conclude on the appropriateness of those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 those charged with governance 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 the audit.



Crowe Sydney



John Haydon
Senior Partner

16 September 2021