

LIFE SETTLEMENTS WHOLESALE FUND

ARSN 110 346 695

ANNUAL REPORT for the year ended 30 June 2021

This annual report covers Life Settlements Wholesale Fund as a consolidated entity and is presented in United States Dollars.

The responsible entity of Life Settlements Wholesale Fund is GI Asset Management Limited (incorporated in Australia).

The responsible entity's registered office is:
'HQ ROBINA' Suite 14 Level 1, 58 Riverwalk Avenue, Robina, QLD 4226

Life Settlements Wholesale Fund

Directors' Report for the year ended 30 June 2021

The directors of GI Asset Management Limited (the Responsible Entity or GIAM), the Responsible Entity of Life Settlements Wholesale Fund (the Fund), present this report together with the consolidated financial report of the Fund, for the year ended 30 June 2021 and the auditor's report thereon.

Principal Activities

The Fund is a registered managed investment scheme domiciled in Australia. The Fund was constituted on 2 August 2004 and was registered as a managed investment scheme by the Australian Securities and Investments Commission on 18 August 2004.

In the past the principal activity of the Fund was to hold and manage a portfolio of Life Settlement Policies through direct investment. The Fund now invests indirectly in Life Settlement Policies by holding shares in the GIS General Fund, the first approved sub-fund of Global Insurance Settlements Funds PLC. The Global Insurance Settlements Funds PLC, is a listed Irish company specialising in life settlements and registered as a Qualifying Investor Fund with the Central Bank of Ireland.

The number of investors has decreased from 202 to 201 due to the Fund compulsory redeeming smaller holding investors.

No other significant changes in the nature of the principal activities of the Fund occurred during the year.

Expenses

The Fund did not have any employees during the year. All fees and expenses applicable to the Fund under its constitution were met by the Fund during the reporting period. The following fees were paid to the Responsible Entity out of Fund property during the financial year:

	30-June-2021	30-June-2020
	\$	\$
Responsible entity's fees	40,527	42,504

Directors

The directors of GI Asset Management Limited, the Responsible Entity, during the financial year and up to the date of this report were:

Ian Sidney Cotton - Appointed 28 November, 2012

Director and Chairman residing in the United States of America, aged 83. Formerly a Chartered Accountant, Chairman of a listed company and partner of Deloitte Touche Tomatsu.

Stephen George Knott - Appointed 28 November, 2012

Compliance Director and Member of the Investment Management Committee of the Life Settlements Wholesale Fund, aged 64.

R. Laken Mitchell III - Appointed 28 November, 2012

Director residing in the United States of America, aged 71. Current President and founder of CMG Surety LLC and CMG Life Services, Inc, (Tennessee, USA) and has served as a director and/or officer of a number of investment ventures. A former Assistant Attorney General of Tennessee, USA.

Robert White - Appointed 28 November, 2012

Director, aged 57, residing in the United States of America. Chief Operations Officer of CMG Surety LLC and CMG Life Services, Inc.

Life Settlements Wholesale Fund

Directors' Report (continued) for the year ended 30 June 2021

Directors (continued)

Stephanie Jane Nolan - Appointed 28 November, 2012

Director, aged 53, residing in Australia. Chief Executive Officer of GI Asset Management Limited and General Manager of LSI Management Limited. Member of the Investment Management Committee of the Life Settlements Wholesale Fund.

Review of Operations

The Fund continued to invest in shares of the GIS General Fund in accordance with its investment strategy as detailed in the current product disclosure statement.

As at 30 June 2021 the Fund owns 14,137,316 shares (2020: 14,408,802) in GIS General Fund and has had a movement in net assets attributable to unit holders from \$9,057,719 at 30 June 2020 to \$8,657,513 as at 30 June 2021.

The GIS General Fund's policy is to obtain updated LEs for 20% of policies on an annual rolling basis. The whole portfolio was re-underwritten in June 2019 with the LE on one policy (representing 3.6% of the portfolio) being updated in the 2020 year. This year we have gone back to the Funds standard 20% rolling policy, 8 policy's had thier LE's updated (representing 20.1% of the portfolio), the updates had a negative effect on the portfolio valuation of \$926,100.

During the year the Fund made compulsory withdrawals for smaller holding investors.

Results

The performance of the Fund as represented by the results of its operations was as follows:

	30-June-2021	30-June-2020
	\$	\$
Net operating profit/(loss) before increase/(decrease) in net assets attributable to unit holders	(328,467)	460,888

Unit Prices (Ex-distribution)

	30-June-2021		30-June-2020	
	\$AUD	\$USD	\$AUD	\$USD
Issue price	0.7720	0.4780	0.8777	0.4961
Redemption price	0.7681	0.4756	0.8733	0.4936

The basis for valuation of the Fund's assets is disclosed in Note 2 to the financial statements.

In prior periods, the Fund allocated all the gains and losses on its foreign exchange hedging to the AUD Units, in order to reduce the exposure of AUD Units to foreign currency exchange rate fluctuations. The above differential between the AUD Unit price equivalent and US Dollar Unit price reflects this allocation. During the current and prior period the Fund has not entered into any foreign exchange hedges.

Units on Issue

The movement in units on issue in the Fund during the year is disclosed in Note 8 of the financial statements.

The Responsible Entity and its associates have not held any units in the Fund during the financial year, other than as disclosed in Note 14.

Life Settlements Wholesale Fund

Directors' Report (continued) for the year ended 30 June 2021

Amounts attributable to unit holders	30-June-2021	30-June-2020
	\$	\$
Value of Net Assets	8,657,513	9,057,716

Valuation methodology

The primary element in determining the value of the Fund is value of the shares held in the GIS General Fund. The GIS General Fund redemption price is determined by its administrator and is then reviewed and approved by GI Asset Management Limited (GIAM) monthly.

The value of the Life Settlements held by the GIS General Fund is determined by the Investment Manager (GIAM) on a monthly basis using ClariNet™, a business management and valuation software system developed by Clearlife Limited for use in the life settlements and longevity markets. The valuations are based on the "probabilistic approach", an actuarial method that fits the policies' cash flows (premium payments and death benefits) to a monthly mortality scale as generated by the specific life expectancy of each insured. This mortality scale is actuarially rolled forward from the life expectancy underwriting date to the valuation date.

The valuations are subject to independent verification by an Independent Actuarial firm at intervals of not more than 6 months.

Significant Changes in the State of Affairs

At the end of November 2013 the Directors reviewed the status of the Fund and its liquidity provisions. Having regard to the prevailing conditions, the Board was of the unanimous opinion that it was in the best interests of the unit holders that the Fund be declared a Non Liquid managed investment scheme effective as of 3rd December 2013. Refer to note 2(c) Going Concern.

When the Fund is not liquid, Unit holders have no right to withdraw from the Fund unless there is a withdrawal offer currently open for acceptance by unit holders.

The Fund issued a new Product Disclosure Statement effective January 30th 2014 which remains current at the date of this report.

In the opinion of the Responsible Entity there were no significant changes in the state of affairs of the Fund during or since the end of the financial year.

After Balance Date Events

There are no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in subsequent financial years.

Likely Developments

The Fund intends to continue as a feeder fund into the GIS General Fund. The GIS General Fund aims to expand its investor base to maximize potential funds inflow and diversify its portfolio of policies.

Life Settlements Wholesale Fund

Directors' Report (continued) for the year ended 30 June 2021

Environmental Regulation

The operations of the Fund are not subject to any significant environmental regulation under either Commonwealth, State or Territory legislation.

Options

No options were granted over un-issued units during or since the end of the financial year by the Fund. No options remain unexercised at the date of this report.

Indemnifying Officer or Auditor

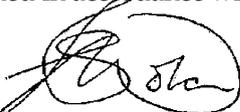
No insurance premiums were paid out of the assets of the Fund in regards to insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

The Fund has not indemnified any auditor of the Fund.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 has been included on page 6 and forms part of the directors' report for the financial year ended 30 June 2021.

Signed in accordance with a resolution of the Board of Directors of GI Asset Management Limited:



Stéphanie Jane Nolan, Director

Dated: 29th October 2021



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of GI Asset Management Limited, the Responsible Entity of Life Settlements Wholesale Fund.

I declare that, to the best of my knowledge and belief, in relation to the audit of Life Settlements Wholesale Fund for the financial year ended 30 June 2021 there have been:

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

KPMG

Jeff Frazer

Partner

Gold Coast

29 October 2021

Life Settlements Wholesale Fund

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Life Settlements Wholesale Fund

Consolidated Statement of Comprehensive Income for the year ended 30 June 2021

	Notes	30-June-2021 USD	30-June-2020 USD
Income			
Net changes in fair value of investments	7	(337,129)	515,985
Interest income	4	61	43,778
Foreign exchange gains/(losses)		4,261	17,593
Other operating income		148,497	30,972
Total income		(184,310)	608,328
Expenses			
Responsible entity's fees		40,527	42,504
Other operating expenses	5	103,630	104,936
Total expenses		144,157	147,440
Profit/(Loss) from operating activities before finance costs		(328,467)	460,888
Finance costs			
Distribution expense to unit holders	9	-	-
Change in net assets attributable to unit holders/Total Comprehensive Income/(Loss)	8	(328,467)	460,888

The above Consolidated Statement should be read in conjunction with the accompanying notes.

Life Settlements Wholesale Fund

Consolidated Statement of Changes in Equity for the year ended 30 June 2021

The Fund's net assets attributable to unit holders are classified as a liability under AASB 132 *Financial Instruments: Presentation*. As the Fund has no equity, no items of changes in equity have been presented for the current or comparative year.

The above Consolidated Statement should be read in conjunction with the accompanying notes.

Life Settlements Wholesale Fund

Consolidated Statement of Financial Position as at 30 June 2021

	Notes	30-June-2021 USD	30-June-2020 USD
Assets			
Cash and cash equivalents	10	215,648	78,130
Financial assets held at fair value through profit or loss	11	8,510,664	9,017,028
Total assets		<u>8,726,312</u>	<u>9,095,158</u>
Liabilities			
Trade and other payables	12	68,799	37,442
Total liabilities (excluding net assets attributable to unit holders of the parent)		<u>68,799</u>	<u>37,442</u>
Net assets attributable to unit holders	8	<u>8,657,513</u>	<u>9,057,716</u>
Represented by:			
Net assets attributable to unit holders at redemption price		8,614,226	9,012,428
Adjustments arising from:			
Buy sell spread		43,287	45,288
	8	<u>8,657,513</u>	<u>9,057,716</u>

The above Consolidated Statement should be read in conjunction with the accompanying notes.

Life Settlements Wholesale Fund

Consolidated Statement of Cash Flows for the year ended 30 June 2021

	Notes	30-June-2021 USD	30-June-2020 USD
Cash flows from operating activities			
Operating expenses paid		(143,299)	(143,787)
Interest received		61	43,778
Maturity proceeds		146,457	27,814
Realised gain/(loss) on foreign currency exchange		4,885	15,101
Net cash flows from/(used in) operating activities	15(a)	<u>8,104</u>	<u>(57,094)</u>
Cash flows from investing activities			
Proceeds from redemptions in GIS General Fund		169,235	261,438
Advance of loan to GIS General Fund		-	420,000
Net cash flows from investing activities		<u>169,235</u>	<u>681,438</u>
Cash flows from financing activities			
Payments on redemptions of redeemable units		(39,821)	(585,029)
Payments of distribution		-	-
Net cash flows from/(used in) financing activities		<u>(39,821)</u>	<u>(585,029)</u>
Net increase/(decrease) in cash held		137,518	39,315
Cash and cash equivalents at the beginning of the period		78,130	38,815
Cash and cash equivalents at the end of the period	15(b)	<u>215,648</u>	<u>78,130</u>

The above Consolidated Statement should be read in conjunction with the accompanying notes.

Life Settlements Wholesale Fund

Notes to the financial statements for the year ended 30 June 2021

1 General information

Life Settlements Wholesale Fund (the Fund) is a registered managed investment scheme under the Corporations Act 2001. The Fund was constituted on 2 August, 2004. The Fund will terminate on 2 August, 2084, unless terminated earlier in accordance with the provisions of the Fund Constitution. The Fund is a for-profit entity primarily involved in investing in investment funds which invest in life policies.

The consolidated financial statements of the Fund as at and for the year ended 30 June 2021 comprise the Fund and its subsidiaries (together referred to as 'Group' and individually as 'Group Entities').

The Responsible Entity of the Fund is GI Asset Management Limited. The Responsible Entity's registered office is: 'HQ ROBINA' Suite 14 Level 1, 58 Riverwalk Avenue, Robina, QLD 4226.

2 Basis of preparation

(a) Statement of Compliance

This general purpose consolidated financial report has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Fund and the Group also comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial report was approved by the Board of Directors of the Responsible Entity on 27 October 2021.

(b) Basis of Measurement

The consolidated financial report has been prepared on a historical cost basis modified by the revaluation of selected financial instruments for which the fair value basis of accounting has been applied.

(c) Going Concern

The financial statements have been prepared on the going concern basis which contemplates the continuation business operations and the realisation of assets and the settlement of liabilities in the normal course of business, where, the entity is expected to:

- be able to pay its debts as and when they fall due; and
- continue in operation without any intention or necessity to liquidate or otherwise wind up its operations.

At 30 June 2021 the Fund has cash and cash equivalents of \$215,648, unpaid compulsory redemptions and trade payables of \$68,799, including distributions payable of Nil.

The directors of the responsible entity have prepared cash flow projections for the coming 12 months that support the ability of the Group to continue as a going concern. The cash flow projections are dependent on redemption requests being received from GI General Investment Fund (GISF) on a timely basis to meet the commitments of the Fund as and when they fall due. The Fund holds approximately 16.88% interest in GISF at 30 June 2021.

GISF status

As at 30 June 2021, GISF had cash funds of \$1,234,886, receivables from matured policies of \$Nil, trade payables of \$231,350, loans plus accrued interest owing of \$12,520,142 and outstanding redemption requests of Nil. Subsequent to year end the Fund has been notified of no new maturities.

GISF receives the majority of its cash inflows from the maturity of its investments in life policies. Due to the nature of these assets, the timing of the receipt of these cash flows are uncertain. GISF has a number of significant recurring operational obligations including the payment of life policy premiums and other operating expenses.

Life Settlements Wholesale Fund

Notes to the financial statements (continued) for the year ended 30 June 2021

2 Basis of preparation (continued) (c) Going Concern (continued)

GISF status (continued)

The Company terminated the loan agreement with North Channel Bank GMBH & Co. KG on its maturity date of 30th June 2020. The entire outstanding principal balance, and all accrued but unpaid interest due under the loan was \$9,501,944. The repayment was funded out of a financing facility provided by Leadenhall Life II DAC. All life policies held as collateral under the NCB loan were transferred to be held as collateral for the Leadenhall facility.

On 7th February 2020, the Company entered into a Credit and Security Agreement with Leadenhall Life II DAC. The permitted purposes of the loan are for the payment of premiums on life insurance policies, the repayment of other credit facilities which are outstanding, the payment of costs and expenses, the distribution of amounts to members. The facility limit is US\$23M and the loan is available for 3 years, with a maturity date of 10th February 2023. On 30th June 2021, the Leadenhall loan balance was \$12,520,142 (2020: \$14,410,664).

In the event GISF does not receive sufficient or timely cash funds from the maturity of policies to settle its obligations as they fall due, the directors of GISF have a number of alternative options they may pursue, which include:

- selling life policies in the secondary U.S. market; and/or
- utilising existing undrawn debt funding; and/or
- delaying the repayment of redemption requests, or settling redemption requests by the transfer of policies to investors, as allowed by the GISF Prospectus.

On 3 December 2013, due to the uncertainty of the timing of cash flows from GISF, the directors of the Responsible Entity declared Life Settlements Wholesale Fund a Non Liquid Managed Investment Scheme. This declaration has the effect that unit holders have no right to withdraw from the Fund unless there is a stated withdrawal offer open for acceptance by unit holders on certain terms.

While there is a material uncertainty as to the sufficiency and timing of cash inflows to the Fund that may cast doubt upon the Funds ability to continue as a going concern, the directors of the Responsible Entity have prepared the financial statements of the Fund on the going concern basis. The Directors expect to be able to pay their debts as and when they fall due and continue to fund the ongoing operations of the Non Liquid Fund in the normal course of business through the implementation of the following:

- continue to invest in life policies through its investment in GISF or realise funds through redemptions in GISF;
- accept applications for new investments in the Fund based on a current product disclosure statement offer; and/or
- make withdrawal offers to investors from time to time based on available cash funding.

In the event that the above assumptions are not achieved, the Fund may not be able to continue as a going concern and may not realise its assets or settle its liabilities in the normal course of operations and at the amounts stated in the financial report.

This note should be read in conjunction with note 17 which outlines that Life Settlements Wholesale Fund has a contingent liability for withholding tax which, if it became payable, would have a material adverse impact on the financial position of the Fund and the ability of the Fund to continue as a going concern.

Had the going concern basis of preparation not been used, adjustments would need to be made relating to the recoverability and classification of certain assets and the classification and measurement of certain liabilities to reflect the fact that the Fund may be required to realise its assets and settle its liabilities other than in the normal course of business and at amounts different from those disclosed.

Life Settlements Wholesale Fund

Notes to the financial statements (continued) for the year ended 30 June 2021

3 Summary of significant accounting policies

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented and have been consistently applied by Group entities, unless otherwise stated in the following text.

(a) Change in accounting policy

There were no new accounting policies and/or changes to existing policies adopted during the financial year.

(b) Financial instruments

Non-derivative financial assets

Recognition and initial measurement

The Fund initially recognises trade receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Fund becomes a party to the contractual provisions of the instrument.

The Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

On initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair value through other comprehensive income; or
- Fair value through profit or loss.

Classification and subsequent measurement

Financial assets are not reclassified subsequent to their initial recognition unless the Fund changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Life Settlements Wholesale Fund

Notes to the financial statements (continued) for the year ended 30 June 2021

3 Summary of significant accounting policies (continued)

Impairment of financial assets

The Fund recognises expected credit losses ('ECLs') on:

- Financial assets measured at amortised cost;

The Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Other debt securities and bank balances for which credit risk (i.e the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows the Fund expects to receive).

At each reporting date, the Fund assesses whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at fair value through other comprehensive income, the loss allowance is charged to profit or loss and is recognised in other comprehensive income.

The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Non-derivative financial liabilities

Financial liabilities are measured at amortised cost.

The Fund initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Fund becomes a party to the contractual provisions of the instrument.

The Fund derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Other financial liabilities comprise loans and borrowings and trade and other payables.

(c) Interest income and expenses

Interest income comprises income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Interest expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Life Settlements Wholesale Fund

Notes to the financial statements (continued) for the year ended 30 June 2021

3 Summary of significant accounting policies (continued)

(d) Net assets attributable to unit holders

Units are redeemable at the unit holder's option and are therefore classified as financial liabilities. The units can be put back to the Fund at any time subject to particular unit class restrictions for cash equal to a proportionate share of the Fund's net asset value. Unit prices are repriced on a monthly basis on the Net Asset Value of the Fund. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance sheet date if unit holders exercised their right to put the units back to the Fund. Because the Fund's redemption unit price is based on different valuation principles to that applied in financial reporting, a valuation difference exists, which has been treated as a separate component of net assets attributable to unit holders.

Changes in the value of this financial liability are recognised in the income statement as they arise.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and 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.

(f) Expenses

All expenses, including Responsible Entity fees and custodian fees, are recognised in the profit or loss on an accrual basis.

(g) Income tax

Under current legislation, the Fund is not subject to Australian income tax provided the taxable income of the Fund is fully distributed either by way of cash or reinvestment (i.e. unit holders are presently entitled to the income of the Fund).

Where net income is not fully distributed, income tax is payable by the Fund at the rate of 45% plus 1.5% Medicare levy.

Financial instruments measured at fair value may include unrealised capital gains. Should such a gain be realised, the portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unit holders but are retained in the Fund to be offset against any future realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unit holders.

The benefits of imputation credits and foreign tax paid are passed on to unit holders, who must complete their own assessment as to whether they can claim these tax benefits.

The Fund currently may incur withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the income statement. Refer Note 17 for further details on US withholding tax.

(h) Distributions

In accordance with the Fund Constitution, the Fund fully distributes taxable income to unit holders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unit holders and as a liability where not paid. Distributions paid are included in cash flows from financing activities in the statement of cash flows.

(i) Increase/decrease in net assets attributable to unit holders

Non-distributable income is included in net assets attributable to unit holders and may consist of unrealised changes in the net fair value of financial instruments, accrued income not yet assessable, expenses provided or accrued for which are not yet deductible, net capital losses and tax free or tax deferred income. These items will be included in the determination of distributable income in the same year in which it becomes assessable for tax. Movements in net assets attributable to unit holders are recognised in the statement of comprehensive income as financing costs.

Life Settlements Wholesale Fund

Notes to the financial statements (continued) for the year ended 30 June 2021

3 Summary of significant accounting policies (continued)

(j) Foreign currency transactions

Functional and presentation currency

These consolidated financial statements are presented in United States dollars, which is the Fund's functional currency and the functional currency of all the entities within the Group.

The United States dollar is considered by management to better reflect the Fund's current relevant underlying transactions, events and circumstances.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate at that date. Foreign exchange gains and losses resulting from the settlement and from the translations at year-end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income and reported on a net basis. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the foreign currency closing exchange rates ruling at the dates that the fair values were determined. Foreign currency exchange differences relating to investments at fair value through profit or loss are included in gains and losses on investments. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents are presented separately in the statement of comprehensive income.

(k) Receivables

Receivables may include amounts for interest. Interest is accrued at the reporting date from the time of last payment using the effective interest rate method. Amounts are generally received within 30 days of being recorded as receivables.

(l) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at balance date.

(m) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

(n) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as audit fees, custodial services and investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate that changes depending on the split between resident and non resident unit holders. The investment management fees, custodial fees and other expenses have been recognised in the income statements net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(o) Dividends and distribution income

Dividends and distribution income are recognised when the right to receive income is established.

Life Settlements Wholesale Fund

Notes to the financial statements (continued) for the year ended 30 June 2021

3 Summary of significant accounting policies (continued)

(p) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 14 Financial Instruments.

(q) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from involvement with the entity and has the power to effect those returns through power over the entity. The financial statements of subsidiaries are included into the consolidated financial statements from the date that control commences until the date control ceases.

Where the Fund establishes a new subsidiary to effect a restructuring through the transfer of assets and liabilities to that subsidiary and no independent parties are involved, the assets and liabilities are recognised in the consolidated financial statements at the carrying amounts of the transferring entity.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2020, and have not been applied in preparing these financial statements. The Fund does not plan to adopt these standards early. None of these are expected to have a significant effect on the financial statements of the Group.

Life Settlements Wholesale Fund

Notes to the financial statements (continued) for the year ended 30 June 2021

4 Interest income

Interest income for financial assets that are not at fair value through profit and loss:

	30 June 2021			30 June 2020		
	Av bal	\$	Av int rate	Av bal	\$	Av int rate
Cash and cash equivalents	91,095	61	0.1%	202,188	43,778	21.7%

This table shows the average balance for each of the major categories of interest-bearing assets, the amount of interest revenue and the average interest rate. The balances are calculated using monthly balances.

	30-June-2021	30-June-2020
Interest on cash and cash equivalents and receivables	61	43,778

5 Other operating expenses

Other operating expenses comprises the following:

	30-June-2021	30-June-2020
Legal and professional fees	3,686	8,205
Custodial fees	35,440	39,121
Audit fees	27,467	22,903
Other expenses	37,038	34,707
	<u>103,630</u>	<u>104,936</u>

6 Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Fund:

	30-June-2021	30-June-2020
Audit services:	KPMG	KPMG
Audit and review of the financial statements	23,000	19,320
Audit of the compliance plan	4,467	3,583
	<u>27,467</u>	<u>22,903</u>

7 Gains and losses from financial assets held at fair value through profit and loss

	30-June-2021	30-June-2020
<i>Designated at fair value through profit and loss</i>		
Net unrealised gains/(losses) on financial assets held at fair value through profit and loss taken to account through the statement of comprehensive income	(234,878)	521,595
Net realised gains/(losses) on financial assets held at fair value through profit and loss taken to account through the statement of comprehensive income	(102,251)	(5,611)
Total net gains/(losses) on financial assets held at fair value through profit and loss taken to account through the statement of comprehensive income	<u>(337,129)</u>	<u>515,984</u>

Gains and losses presented above exclude interest income, dividend income and interest expense.

Life Settlements Wholesale Fund

Notes to the financial statements (continued) for the year ended 30 June 2021

8 Net assets attributable to unitholders

As stipulated within the Fund Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund.

The Fund considers its capital to be Unitholders' Funds. The Fund manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

The objective of the Fund is to provide unitholders with returns in accordance with the Product Disclosure Statement (PDS). The Fund aims to deliver this objective mainly through investing indirectly in a diversified portfolio of Life settlements in accordance with the limitations set by the PDS.

In order to protect the Unitholders of Australian Dollar denominated Ordinary Units (AUD Units) from exposure to fluctuations in their Unit price due to foreign currency exchange rate fluctuations, the Fund from time to time enters into spot foreign exchange contracts to hedge the impact to these unitholders of fluctuations in the Australian / US Dollar exchange rate. During the current and prior period the Fund has not entered into any hedges. In prior periods any gain or losses on spot foreign exchange contracts have been allocated to the Unitholders in AUD Units, separately to the allocation of the Net Asset Value of the Fund to all unitholders. The differential between the translated AUD Unit price and US Dollar Unit price reflects this allocation.

Parent Entity - 30 June 2021	Ordinary Units		USD Units		Reserves (1)	Total	
	No.	\$	No.	\$	\$	No.	\$
Opening balance	7,120,415	265,203	9,611,947	113,171,694	(104,379,178)	16,732,362	9,057,719
Applications	-	-	-	-	-	-	-
Redemptions	(56,367)	(33,765)	(77,217)	(37,972)	-	(133,584)	(71,737)
Increase/(decrease) in net assets attributable to	-	-	-	-	(328,467)	-	(328,467)
Closing balance	7,064,048	231,438	9,534,730	113,133,722	(104,707,645)	16,598,778	8,657,515

Parent Entity - 30 June 2020	Ordinary Units		USD Units		Reserves (1)	Total	
	No.	\$	No.	\$	\$	No.	\$
Opening balance	8,134,710	868,587	9,614,826	113,173,105	(104,840,066)	17,749,536	9,201,626
Re-issued Units	-	-	-	-	-	-	-
Redemptions	(1,014,295)	(603,384)	(2,879)	(1,411)	-	(1,017,175)	(604,795)
Increase/(decrease) in net assets attributable to unitholders	-	-	-	-	460,888	-	460,888
Closing balance	7,120,415	265,203	9,611,947	113,171,694	(104,379,178)	16,732,361	9,057,719

All unit classes are rated equally in respect of rights to distributions and voting rights however there are differences as explained in the table.

Class	Region	Currency	Upfront Commission
Ord	Australasia	AUD	0%
USD	Global	USD	Max 10%

Note: Ordinary units trade in AUD but movements are presented in the USD functional currency.

Life Settlements Wholesale Fund

Notes to the financial statements (continued) for the year ended 30 June 2021

8 Net assets attributable to unitholders (continued)

Cumulative Increase/(decrease) in net assets attributable to unit holders

	30-June-2021	30-June-2020
Increase/(decrease) in net assets attributable to unit holders	(328,467)	460,888
Opening balance	(104,379,178)	(104,840,066)
Closing balance	(104,707,645)	(104,379,178)

- (1) The reserve represents the cumulative increase/(decrease) in the net assets attributed to unit holders.
 (2) No additional redemption offer has been made to date.

9 Distributions to unit holders

	30-June-2021	30-June-2020
Distribution paid and payable	-	-
	-	-

10 Cash and cash equivalents

	30-June-2021	30-June-2020
Cash at bank	215,648	78,130
These accounts are interest bearing.	215,648	78,130

11 Financial assets held at fair value through profit and loss

	30-June-2021	30-June-2020
GIS General Fund Shares	8,510,664	9,017,028
	8,510,664	9,017,028

GIS General Fund Shares value is calculated by its Administrator. The GIS General Fund uses two processes to satisfy themselves that the policy held by it are valued appropriately:

- The fund uses ClariNet an Industry recognised valuation software package. The software uses a probabilistic valuation methodology that individually computes each life policy's value based on Face Value (Known and fixed), Premium burden (supplied by issuing insurance company), and an independent Underwriters Life Expectancy report (or a blend of multiple underwriters reports.) It also requires input of a suitable discount rate; and
- The valuations are subject to independent verification by an Independent Actuarial firm on a semi-annual basis.
- In accordance with GIS General Fund's dividend and distribution policy the dividends were reinvested in new shares in the GIS General Fund. See note 13(f) for reconciliation. No dividends were declared during the year ended 30 June 2021 (2020: Nil).

12 Trade and other payables

	30-June-2021	30-June-2020
Trade and other payables	68,799	37,442
Distribution payable	-	-
Total trade and other payables	68,799	37,442

Life Settlements Wholesale Fund

Notes to the financial statements (continued) for the year ended 30 June 2021

13 Financial instruments

The Fund is exposed to market price risk, interest rate risk, credit risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Fund to manage these risks are discussed below.

(a) Credit Risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract. Concentrations of credit risk are minimised primarily by:

- counterparties, together with the respective credit limits, are approved; and
- transactions are undertaken with a large number of counterparties.

The carrying amounts of financial assets best represent the maximum credit risk exposure at balance sheet date.

At 30 June 2021 the following financial assets were exposed to credit risk:

Cash and cash equivalents, trade and other receivables and assets held at fair value through profit and loss.

Total carrying amount of financial assets exposed to credit risk amounted to \$8,726,312 (2020: \$9,095,158).

The Fund's cash is held with the following counterparties:

	30-June-2021	30-June-2020
National Bank of Australia	215,648	78,130
	<u>215,648</u>	<u>78,130</u>

The Fund monitors risk by monitoring credit ratings of the above banks on a monthly basis, as reported by AM Best, Standard and Poor's, Moody's or Fitch. If the credit quality of the above bank deteriorates significantly the Investment Manager will move the cash holdings to another bank.

The Group's maximum exposure to credit risk for financial assets at the reporting date by geographic region was:

	30-June-2021	30-June-2020
Australia	18,391	68,558
United States of America	8,707,921	9,026,600
	<u>8,726,312</u>	<u>9,095,158</u>

The financial assets in the United States of America geographic region include the following:

USD Bank Accounts	197,257	9,572
Sundry Debtors & loans receivable	-	-
Investment in GIS General Fund	8,510,664	9,017,028
	<u>8,707,921</u>	<u>9,026,600</u>

The Fund indirectly invests in secure or better rated as determined by AM Best life insurance policies in the United States of America through its investment of \$8,510,664 (2020: \$9,017,028) in the GIS General Fund an Irish listed entity.

Impairment losses

None of the Fund's loans and receivables are past due or renegotiated (2020: Nil). There are no impairment or expected credit losses at 30 June 2021 (2020: Nil).

Life Settlements Wholesale Fund

Notes to the financial statements (continued) for the year ended 30 June 2021

13 Financial instruments (continued)

(a) Credit Risk (continued)

GISF Credit Risk monitoring processes

The Fund's credit risk exposure primarily reflects to counterparty credit risk in GISF. The GISF credit monitoring processes are outlined below. The Fund monitors the results of these monitoring processes and therefore, these processes are relevant to the Fund

Monthly reviews are performed to ascertain if AM Best have upgraded, downgraded or are currently reviewing any insurance company, in addition to monitoring the ratings of insurance companies via other major ratings agencies such as S&P and Moody's. The National Association of Insurance Commissioner's announcements on regulatory issues are monitored to identify if there are announcements of any concern to the portfolio.

The Post Portfolio Management Report which includes the Credit Ratings of the insurer is reviewed on a monthly basis and the board is notified of any exceptions. The Compliance Director identifies if there are any exceptions.

Where ratings have downgraded to a Vulnerable Rating, the GISF Board will ascertain the exposure of Insurance Company to the overall portfolio i.e. by policy count and by % of Face Value. As at 30 June 2021, the ratings of the insurance companies linked to the GISF's portfolio meet the GISF's purchase criteria i.e. within the Secure Category of AM Best Financial Strength Ratings.

(b) Foreign exchange risk

The Group's total net exposure to fluctuations in foreign currency exchange rates at the balance sheet date was as follows:

All amounts stated in USD	30-June-2021 AUD Items \$	30-June-2020 AUD Items \$
Assets		
Cash and cash equivalents	18,391	68,558
Total Assets	18,391	68,558
Liabilities		
Trade and other payables	65,377	2,806
Total Liabilities	65,377	2,806
Net assets attributable to unit holders	(46,986)	65,753

Sensitivity analysis

A 10 percent strengthening in the Australian dollar against the US dollar during the year ended 30 June would have increased/(decreased) profit or loss by the amounts shown below. A 10 percent weakening in the Australian dollar against the US dollar during the year ended 30 June would have the equal but opposite effect to the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2020.

	30-June-2021	30-June-2020
Australian Dollar	(4,699)	6,575

The Group is exposed to foreign exchange risk as it may enter into transactions denominated in currencies other than its functional currency. The currency of transactions denominated in a currency other than the functional currency is the Australian dollar (AUD). In order to protect the Unitholders of Australian Dollar denominated Ordinary Units (AUD Units) from exposure to fluctuations in their Unit price due to foreign currency exchange rate fluctuations, the Fund from time to time has entered into spot foreign exchange contracts to hedge the impact to these unitholders of fluctuations in the Australian / US dollar exchange rate. The operations increased the foreign exchange risk to the Fund as a whole as they were entered into to protect the Australian dollar position of these specific unitholders rather the US dollar position of the Fund, however as all of the gains/losses on these transactions are allocated to AUD Unitholders, the hedging operations did not increase the residual foreign currency risk for the US dollar unitholders.

Life Settlements Wholesale Fund

Notes to the financial statements (continued) for the year ended 30 June 2021

13 Financial instruments (continued)

(c) Liquidity and cash flow risk

Liquidity risk is the risk that the Fund will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with settling financial instruments including meeting unit holder redemption requests. Cash flow risk is the risk that the future cash flows derived from holding financial instruments will fluctuate.

At the end of November 2013 the Directors reviewed the status of the Fund and its liquidity provisions. Having regard to the prevailing conditions, the Board was of the unanimous opinion that it was in the best interests of the unit holders that the Fund be declared a Non Liquid managed investment scheme effective as of 3rd December 2013.

The Fund has an obligation to make ongoing cash payments including:

- Payment of redemption requests approved when a withdrawal offer is open for acceptance by unitholders.
- Payment of operating costs of the Fund, including management fees; and
- Payment of distributions.

Distributions from the GIS General Fund are expected to occur periodically. Due to the nature of the underlying assets the timing of these cashflows are uncertain and the shares held in GIS General Fund may not be readily convertible to cash through either redemption or sale.

To manage liquidity the directors of the Responsible Entity prepare a rolling 12 month forecast each month for the Fund, which is used to estimate cash requirements and ensure sufficient shares in GIS General Fund are sold to meet the Fund's requirements.

As at 30 June 2021 the value of unpaid redemption requests was Nil (2020: Nil).

The following are the contractual maturities of financial liabilities, excluding interest payments:

	30-June-2021				30-June-2020			
	Contractual cashflows	3 months to 1 year	Less than 3 months	On call	Contractual cashflows	3 months to 1 year	Less than 3 months	On call
Trade and other payables	68,799	-	68,799	-	37,442	-	37,442	-
Net assets attributable to Unitholders (1)	8,657,513	-	-	8,657,513	9,057,716	-	-	9,057,716
	<u>8,726,312</u>	<u>-</u>	<u>68,799</u>	<u>8,657,513</u>	<u>9,095,158</u>	<u>-</u>	<u>37,442</u>	<u>9,057,716</u>

(1) When the Fund is not liquid, unit holders have no right to withdraw from the Fund unless there is a stated withdrawal offer open for acceptance by unit holders on certain terms.

(d) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The majority of the Fund's financial assets are non-interest-bearing. Interest-bearing financial assets and interest-bearing financial liabilities mature or reprice in the short-term, no longer than 12 months. As a result, the Fund is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents of the Fund are invested in short-term deposit accounts with the term to maturity of up to 3 months.

Life Settlements Wholesale Fund

Notes to the financial statements (continued) for the year ended 30 June 2021

13 Financial instruments (continued)

(d) Interest rate risk (continued)

The Funds' exposure to interest rate risk and the weighted average effective interest rate is set out in the following table:

	Weighted Average		Variable rate instruments		Fixed rate instruments		Total	
	2021	2020	30/06/2021	30/06/2020	30/06/2021	30/06/2020	30/06/2021	30/06/2020
Financial Assets			\$	\$	\$	\$	\$	\$
Cash and cash equivalents (AUD)	1.50%	1.50%	18,392	68,558	-	-	18,392	68,558
Cash and cash equivalents (USD)	0.03%	0.30%	197,257	9,572	-	-	197,257	9,572
Totals			215,649	78,130	-	-	215,649	78,130

Sensitivity analysis

An increase of 100 basis points in interest rates throughout the year, which is considered a reasonably possible change in interest rates, would increase the net assets attributable to unitholders and the profit or loss from operating activities of the Fund by \$2,156 (2020: \$781). A decrease of 100 basis points would have the opposite effect.

(e) Other market price risk

Market price risk is the risk that the value of the Fund's investment portfolio will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting instruments traded in the market.

As the majority of the Fund's financial instruments are carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market conditions will directly affect net investment income.

Under normal circumstances the Fund will invest only in life settlements through its investment in the GIS General Fund.

This risk is managed by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. Market price risk analysis is conducted regularly on a total portfolio basis.

Sensitivity analysis

The redemption price of GIS General Fund is impacted by changes in the value of the life settlement policies held in GIS General Fund. An increase of 3 percent in market prices including changes in market discount rates of life settlements as at the reporting date would increase the net assets attributable to unitholders and the profit or loss from operating activities of the Fund by \$255,320 (2020: \$270,511). A decrease of 3 percent would have the opposite effect.

Life Settlements Wholesale Fund

Notes to the financial statements (continued) for the year ended 30 June 2021

13 Financial instruments (continued)

(f) Estimation of fair values

The carrying amount of financial assets and financial liabilities included in the balance sheet approximate fair value. The methods used in determining the fair values of financial instruments are discussed in note 3(b).

Fair value measurements recognised in the statement of financial position

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- 1 Fair value measurements are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- 2 Fair value measurements are those instruments valued based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- 3 Fair value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
30 June 2021				
Financial assets held at fair value through profit and loss	-	-	8,510,664	8,510,664
Total	-	-	8,510,664	8,510,664
30 June 2020				
Financial assets held at fair value through profit and loss	-	-	9,017,028	9,017,028
Total	-	-	9,017,028	9,017,028

All financial assets held at fair value through profit and loss relate to life settlement policies held indirectly through its investment in GISF.

There have been no transfers between the levels of valuation method for each classification of financial asset held during the year ended 30 June 2021 (30 June 2020: Nil).

<i>Reconciliation of level 3 fair value measurements of financial assets</i>	30-June-2021	30-June-2020
Opening Balance	9,017,029	8,509,482
Total gains or losses for the period included in profit or loss	(337,365)	515,985
Dividends reinvested	-	-
Redemptions	(169,000)	(8,438)
Closing Balance	8,510,664	9,017,029

Sensitivity analysis

Fair value measurements designated as level 3 carry the highest level of estimation when determining fair value. Changing one or more of the inputs to reasonably possible alternative assumptions could change fair value significantly.

The Fund invests in life settlement policies indirectly through its investment in the GIS General Fund. The redemption price of GIS General Fund is impacted by changes in the value of the life settlement policies held in GIS General Fund. The most significant factor in determining fair value of the life settlement policies is the discount factor applied. A discount rate indexing methodology is applied using a base discount rate of 11%. The indexing methodology allocates a discount rate to each policy depending on certain characteristics (e.g. size of face, length of LE, Carrier etc.). This discount methodology has been determined as the most appropriate basis based on levels currently being experienced in the market for quality portfolios of policies.

Reasonably possible alternative base discount factors of +/- 1% have been considered, and the impact this would have on the fair value of the Funds investment in GIS General Fund at year-end is as follows:

Discount Rate	Fair value of investment in GIS General Fund	Change from fair value reported in statement of financial position
10%	10,696,388	236,675
11%	10,459,713	-
12%	10,231,742	(227,971)

Life Settlements Wholesale Fund

Notes to the financial statements (continued) for the year ended 30 June 2021

14 Related party transactions

Responsible Entity

The Responsible Entity of Life Settlements Wholesale Fund is GI Asset Management Limited (GIAM). The Responsible Entity's registered office is 'HQ ROBINA' Suite 14 Level 1, 58 Riverwalk Avenue, Robina, QLD 4226. GIAM was appointed Responsible Entity on 1 May 2013. GIAM may invest in the Fund from time to time.

The Constitution for the Fund provides that the Responsible Entity (and people or entities associated with it) may enter into a transaction with the Fund or with a person dealing with the Fund, or have an interest in any such transaction.

Related Parties

The Responsible Entity considers that all transactions involving related parties are conducted on arms length terms. Where future related party transactions occur, the Responsible Entity will endeavour to ensure that contracts are entered strictly on an arms length basis. More information on the nature of the relationship with these entities is outlined below:

Life Settlements Funds Limited (LSFL)

LSFL is the sole shareholder of the Responsible Entity. As the parent entity LSFL benefits from all fees earned by the Responsible Entity. The Responsible Entity employs LSFL to provide the administration services to the Fund. LSFL does not seek reimbursement from the Fund for any costs incurred in providing the administration function to the Fund.

Ian Sidney Cotton

Ian Cotton (a director of the Responsible Entity) is a shareholder of Reid Ventures Pty Ltd. Reid Ventures Pty Ltd beneficially owns ordinary shares in LSFL and as such Ian Cotton will benefit from management fees earned by the Responsible Entity.

All of the above transactions have been conducted on arms length terms and conditions.

Stephen George Knott

Stephen Knott (a director of the Responsible Entity) is a director and shareholder of Anchorage Capital Pty Ltd. Anchorage Capital Pty Ltd beneficially owns ordinary shares in LSFL and as such Stephen Knott will benefit from management fees earned by the Responsible Entity.

All of the above transactions have been conducted on arms length terms and conditions.

Richard Laken Mitchell III

Laken Mitchell (a director of the Responsible Entity) is a director and shareholder of CMG Surety LLC and CMG Life Services, Inc (CMG). CMG beneficially owns ordinary shares LSFL and as such Laken Mitchell will benefit from management fees earned by the Responsible Entity and any transactions entered into with CMG.

All of the above transactions have been conducted on arms length terms and conditions.

Stephanie Jane Nolan

Stephanie Nolan (a director of the Responsible Entity) is a beneficiary and trustee of The Nolan Superannuation Fund. The Nolan Superannuation Fund beneficially owns ordinary shares in LSFL and as such Stephanie Nolan will benefit from management fees earned by the Responsible Entity.

All of the above transactions have been conducted on arms length terms and conditions.

Life Settlements Wholesale Fund

Notes to the financial statements (continued) for the year ended 30 June 2021

14 Related party transactions (continued)

Robert Dwyane White

Robert White (a director of the Responsible Entity) is a director and shareholder of CMG Surety LLC and CMG Life Services, Inc (CMG). CMG beneficially owns ordinary shares in LSFL and as such Robert White will benefit from management fees earned by the Responsible Entity and any transactions entered into with CMG.

All of the above transactions have been conducted on arms length terms and conditions.

CMG Life Services, Inc (CMG)

CMG is a major shareholder of Life Settlements Funds Limited and will benefit from fees paid to it or its wholly owned subsidiary (being the Responsible Entity) by the Fund or by GISF.

The Responsible Entity considers that all transactions involving CMG are conducted on arms length terms.

LSI Management Limited (LSIM)

LSIM is a director related entity of Life Settlements Funds Limited (LSFL) and GI Asset Management Limited and benefited from fees paid to it by GIS General Fund (GISF). Management fees due to LSIM by GISF in the current year of \$788,520 and the prior year was \$782,379 respectively.

LSIM pays the responsible entity GIAM an investment management fee for GISF, the total management fee paid to GIAM during the period by LSIM was \$660,000 (2020: \$660,000) and \$55,000 (2020: \$55,000) was outstanding at year end.

Key management personnel

The Fund does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Fund and this is considered the key management personnel. The directors of the Responsible Entity during the period were key management personnel of that entity and their names are Ian Sidney Cotton, Stephen George Knott, Richard Laken Mitchell III, Robert White and Stephanie Nolan.

Responsible Entity's/manager's fees and other transactions

For the year ended 30 June 2021, in accordance with the Constitution, the Responsible Entity received a total fee of 0.45% (net of GST, net of RITC available to the Fund) of gross assets of the Fund (2020: 0.45%).

All expenses in connection with the preparation of accounting records and the maintenance of the register have been borne by the Responsible Entity.

All related party transactions are conducted on normal terms and conditions. The transactions during the year and amounts payable at year end that directly or indirectly impact the performance of the Fund were as follows:

	30-June-2021	30-June-2020
	\$	\$
Management fees paid by LSWF to Former RE	-	-
Management fees paid by GISF to LSIM	788,520	782,379
Management fees paid by LSWF to Responsible Entity	40,527	42,504

At balance date, \$3,600 (2020: \$3,752) remained owing to the Responsible Entity.

Life Settlements Wholesale Fund

Notes to the financial statements (continued) for the year ended 30 June 2021

14 Related party transactions (continued)

Units in the Fund held by related parties

Unit Holder	Number of Units held at year end	Interest Held
30 June 2021		
Anchorage Superannuation Fund	28,568	0.172%
Life Investment Services Pty Ltd (HK)	373,867	2.252%
	<u>402,435</u>	<u>2.424%</u>
30 June 2020		
Anchorage Superannuation Fund	28,568	0.171%
Life Investment Services Pty Ltd (HK)	373,867	2.234%
	<u>402,435</u>	<u>2.405%</u>

Key management personnel unit holdings

Other than those disclosed above, key management personnel of Life Settlements Funds Limited and GI Asset Management Limited held no units in the Fund.

Key management personnel compensation

Key management personnel are paid by Life Settlements Funds Limited. Payments made from the Fund to the Responsible Entity did not include any amounts attributable to the compensation of key management personnel. No payments were made to Life Settlements Funds Limited as compensation of key management personnel.

Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

Investments

The Fund did not hold any investment in Life Settlements Funds Limited and GI Asset Management Limited or its affiliates during the year.

Other transactions within the Fund

Apart from those details disclosed in this note, no director has entered into a material contract with the Fund since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year end.

Life Settlements Wholesale Fund

Notes to the financial statements (continued) for the year ended 30 June 2021

15 Reconciliation of net profit/(loss) to net cash flows from operating activities.

(a) Reconciliation of net profit/(loss) to net cash flows from operating activities

	Parent Entity	
	30-June-2021	30-June-2020
Net profit/(loss) before distributions to unit holders	(328,467)	460,888
<i>Adjustments for:</i>		
Net change in fair value of investments through P&L	337,129	(515,985)
Dividends received	-	-
Distribution paid	-	-
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in receivables	-	-
Increase/(decrease) in payables	(559)	(1,998)
	8,104	(57,094)

(b) Reconciliation of cash

For the purpose of the statement of cash flows, cash includes cash on hand and in banks and investment in money market instruments, net of outstanding bank overdrafts.

Cash shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	30-June-2021	30-June-2020
Bank account balances	215,648	78,130
Term Deposits	-	-
	215,648	78,130

16 Events occurring after the balance sheet date

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in subsequent financial years.

17 Withholding tax

Life policies can be held to maturity or sold on the secondary market. In the year ended 30 June 2012 life policies were transferred out of the Fund in Australia to the GIS General Fund in Ireland, primarily to increase the marketability of the product offering. LSFL has had advice that where a policy is sold prior to maturity there is no withholding tax liability. However, there is uncertainty regarding the interpretation of US taxation legislation and its application to the Fund and if challenged there is a significant risk that the income on maturing policies in years prior to the transfer could be subject to US withholding tax of 30% of the net proceeds, i.e. death benefits less acquisition costs and premium.

If the net proceeds are subject to any US withholding tax, the maximum withholding tax payable at year end by the Fund is estimated at approximately \$26,370,000 excluding interest and penalties (2020: \$26,370,000) and would have a material adverse effect on the net assets of the Fund. The maximum withholding tax payable of \$26,370,000 may reduce over time if the period available for US taxation authorities to challenge the Fund's interpretation expires under the Statute of Limitations.

**Notes to the financial statements (continued)
for the year ended 30 June 2021**

18 Controlled entities

CMG/Life Settlements Fund Trust

The Fund controls 100% of the CMG/Life Settlements Fund Trust which is a bare trust domiciled in the United States of America. The Trust was formed in order to hold encumbered policies. All encumbrances in relation to policies held by the Trust were repaid on 18 October 2007 with full ownership of these policies being transferred to the Fund. Consequently the Trust during the year ended 30 June 2020 was inactive and had no assets, liabilities, income or expenses.

As at, and throughout the financial year ended 30 June 2021 the parent entity of the Group was Life Settlements Wholesale Fund.

	Note	Life Settlements Wholesale Fund	
		30-June-2021	30-June-2020
Result of the parent entity			
Profit/(loss) for the period		(328,467)	460,888
Other comprehensive income		-	-
Total comprehensive income for the period		<u>(328,467)</u>	<u>460,888</u>
Financial position of parent entity at year end			
Total assets		8,726,312	9,095,158
Total liabilities		<u>(68,799)</u>	<u>(37,442)</u>
Total net assets attributable to unit holders		8,657,513	9,057,716

The directors are of the opinion that apart from the withholding tax noted on Note 18 there are no contingencies that existed at, or subsequent to year-end.

19 Economic dependency

The Fund is dependent on the GIS General Fund located in Ireland which provides the majority of the cash inflows to the Fund. Refer notes 2(c) and 14(c).

Life Settlements Wholesale Fund

Directors' Declaration for the year ended 30 June 2021

In the opinion of the directors of GI Asset Management Limited the responsible entity of the Life Settlements Wholesale Fund (the Fund):

- (a) The financial statements and notes, as set out on pages 8 to 31, are in accordance with the Corporations Act 2001, including:
 - i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - ii) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date;
- (b) The financial report also complies with International Financial Reporting Standards as disclosed in note 2(a); and
- (c) 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 the directors of GI Asset Management Limited:



Stephanie Jane Nolan, Director
Dated: 29th October 2021



Independent Auditor's Report

To the unitholders of Life Settlements Wholesale Fund

Opinion

We have audited the **Financial Report** of Life Settlements Wholesale Fund (the Fund).

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

- giving a true and fair view of the **Group's** financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2021
- Consolidated statement of profit or loss and other comprehensive income for the year then ended
- Consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors Declaration.

The **Group** consists of the Fund and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. 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 Group in accordance with 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 fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to note 2(c) to the financial statements. The conditions disclosed in note 2(c) indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore, whether it will realise its assets and its liabilities in the normal course of business and at the amounts stated in the financial statements. Our opinion is not modified in respect of this matter.



Other Information

Other Information is financial and non-financial information in Life Settlements Wholesale Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of GI Asset Management Limited (the Responsible Entity) are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of GI Asset Management Limited (the Responsible Entity) are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Fund's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.



A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

A handwritten version of the KPMG logo in black ink, appearing as 'KPMG' with a stylized flourish at the end.

A handwritten signature in black ink, appearing to be 'J Frazer'.

KPMG

Jeff Frazer

Partner

Gold Coast

29 October 2021