

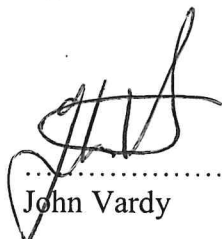
Vardy Superannuation Fund

A.B.N. 21 069 265 692

MINUTES OF A MEETING OF THE TRUSTEES OF THE FUND HELD AT
The Residence of the Trustee
On 30th June 2022

- PRESENT:** John Vardy
Elaine Vardy
- CHAIRPERSON:** John Vardy
- MINUTES:** The minutes of the previous meeting of the Trustees were read and confirmed as a true and correct record of the proceedings.
- FINANCIAL STATEMENTS:** The Chairperson tabled the Financial Statements including the Trustee's Declaration and Auditor's Report for the year ended 30/06/2022. **It was Resolved** to accept the reports as tabled and to authorize the Chairperson to sign the Trustee's Declaration on behalf of the Trustees.
- TAXATION ANNUAL RETURN:** The Chairperson tabled the draft Taxation/Annual Return of the fund. It was Resolved to adopt the draft and to authorize its lodgement.
- AUDITORS:** **It was Resolved** to appoint Mr Tony Boys as auditor of the Fund for the next financial year.
- CLOSURE:** There being no further business the meeting was declared closed.

Signed as a true and correct record.


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John Vardy

MINUTES OF MEETING OF TRUSTEES OF
THE VARDY SUPERANNUATION FUND
Held at The Residence of the Trustees
On the 1st July 2021

PRESENT: John Vardy (Chairperson)
Elaine Vardy

CHAIRPERSON: John Vardy

The trustees have resolved that the following Derivatives Risk Statement be adopted and implemented for the Vardy Superannuation Fund to reflect investment in Derivative and/or Cryptocurrencies.

DERIVATIVE and CRYPTO CURRENCY RISK STATEMENT

Vardy Superannuation Fund

INTRODUCTION

The Superannuation Industry Supervision Act (SISA) requires a Derivatives Risk Statement (DRS) to be in effect for Superannuation Funds where a charge is given, in relation to the use of derivatives by the trustee of the fund. This document sets out the DRS of the **Vardy Superannuation Fund**, and has been designed to cover the specific requirements of Regulation 13.15A of the SIS act.

Where the trustees use the services of an Investment Adviser, and that Investment Adviser makes recommendations to the trustee which entail the use of derivatives, the trustees are still responsible for ensuring that the use and implementation of derivatives is in accordance with the aims of this DRS.

1. POLICIES FOR THE USE OF DERIVATIVES, INCLUDING AN ANALYSIS OF THE RISKS ASSOCIATED WITH THE USE OF DERIVATIVES AND CRYPTOCURRENCIES WITHIN THE INVESTMENT STRATEGY OF THE FUND.

The use of derivatives AND Cryptocurrencies

The trustees consider that as with any investment, derivatives AND Cryptocurrencies must fulfill the following criteria:

- (a) it must be intended to support the fund's overall investment strategy.
- (b) the purpose of making a specific investment must be consistent with the investment objectives of the fund.
- (c) all investment guidelines in respect of each member must be complied with.

More specifically, the trustees may intend to use these investments for the following purposes:

- (a) writing (selling) covered options to produce extra income for the fund;
- (b) hedging the portfolio against the risk of adverse movements in market prices and thereby reducing volatility;
- (c) achieving diversified exposure to an entire market through market indices;
- (d) achieving transactional efficiency through reducing the cost of achieving a required exposure;

Risk analysis

The trustees are responsible for the risk management and investment decisions of the fund, including those relating to derivatives. Although professional advice may be sought, the ultimate responsibility remains with the trustees.

As Trustees we accept full responsibility for assessing the risks of our investments and whether they remain appropriate to our strategy. We do not rely on the presentation of the financial accounts or audit opinion to determine the risks or appropriateness of any investment. We review risk on an ongoing basis, and as Trustees we will determine exclusively if and when to adjust our investments as our circumstances change.

There are various types of risks associated with derivatives. These can be broadly categorized under the headings of market risk, basis risk, liquidity risk, credit risk, and legal risk. These risks are described below.

A. Market Risk

Market risk is the risk of adverse movements in markets. It arises through the holding of any financial instrument, physical or derivative, which creates exposure to movements in prices of a security or market. The market risk associated with the use of derivatives and Cryptocurrencies is assessed in the context of the risk profile of the total portfolio.

B. Basis Risk

Basis risk is the risk that the value of a derivative will not move in line with the related physical position.

C. Liquidity Risk

There are two types of liquidity risk that arise from investing in derivatives. These are:

Market Liquidity Risk - the risk that the trustees may not be able to, or cannot easily, unwind or offset a particular position due to inadequate market depth or disruptions in the market place.

Funding Liquidity Risk - the risk that the trustees may not be able to meet the future cash flow obligations from the derivative activities such as meeting margin calls on futures contracts.

D. Counter-party (Credit) Risk

Counter-party risk is the risk that a counter-party will fail to perform contractual obligations, that is default either in whole or part, under a contract.

E. Legal Risk

Legal risk is the risk that a derivative contract will not be legally enforceable.

CRYPTO CURRENCY – SPECIFIC RISKS

The trustees also acknowledge awareness of the many risks associated, as outlined below, though not exhaustive. Within reason, the Trustees aim to manage these risks.

Wide Entrance, Narrow Exit –This lowered barrier to entry creates a wide entrance and a very narrow exit, which can be barred due to technological constraints, currency inconvertibility and few counterparties with whom to trade. While the asset class is generally uncorrelated to the traditional economy, it is all correlated to itself, which can create market panics and runs.

Intangible, Illiquid, Uninsured - the intangible and illiquid nature of cryptocurrencies (combined with the point above about narrow exits) hampers their convertibility and insurability. There is rarely insurance for this asset class.

Extortion To Manipulation – While no investor should part ways with money they are not prepared to lose, no matter how nominal the amount, cryptocurrencies are particularly prone to social engineering and misinformation risks.

Care, Custody And Control – Despite the intangible and unseen nature of cryptocurrencies and digital assets more generally, one of the single biggest issues plaguing the market is care, custody and control.

Cyber Risks On All Sides –By this measure, not all cryptocurrencies are created equal in term of their traceability, transaction ledgering and levels of trust or fiduciary responsibility. The risks of cyber attack remain high.

Human Error (And Forgetfulness) –The prospect of being locked out, losing hardware or facing “geophysical risks,” such as spilled coffee is often enough to create losses.

(Un)Safe Havens – Another key risk with cryptocurrencies and this asset class more generally is the lack of coordination and clarity on regulatory, financial, tax and legal treatment.

Technological Risks – There have been many reports about the computational complexity and energy consumption of bitcoin mining, as one example of some of the technological limitations of cryptocurrencies. For this, investors should beware of the technological risks and false promises of decentralization that are being made in many projects, for not all blockchains are created equal.

Civil Wars –the constant spectre of civil wars and forks, which can erode market share, valuation and adoption.

2. RESTRICTIONS & CONTROLS ON THE USE OF DERIVATIVES AND CRYPTOCURRENCY

In order to manage & control the risks in Section 1 above, the trustees undertake to implement the following restrictions, controls, and processes:

- All open positions are monitored closely on a daily basis.
- Ensuring prior to and during all derivative contracts that any and all potential expiry exercise obligations can be fulfilled by the fund, and that the exercise event is still consistent with the fund’s overall investment strategy.
- Ensuring that positions in derivatives are covered. For the purposes of this DRS, cover consists of cash, or assets that are equivalent to cash and can be converted to cash

within the settlement period. They must be sufficient to meet all potential obligations arising from the underlying asset exposure represented by the derivative position. Cover may also consist of securities for futures or options contracts.

- The setting and execution of a “stop loss” level for all open “sold” option positions, to reduce “unlimited loss” risk on ‘cash settled’ contracts.
- Asset allocation targets and exposure limits specified in the investment strategy(s) of the fund include both physical and derivative exposures of the portfolio. The trustees must manage portfolios to these target allocations.
- When a derivative contract is entered into, the trustee takes into consideration the likelihood that the price of a derivative will move in line with the underlying physical position and assesses whether the level of basis risk is acceptable.
- The market depth of the derivative will be assessed to control liquidity risk.
- Sufficient cash reserves are maintained in the fund to fund deposits and margin calls equal to the impact of a considered maximum movement of the net (short plus long) derivative position.
- In order to minimize both counter-party and legal risk, the trustees will use exchange traded options and futures, which are subject to market standard documentation and settlement procedures. Participants in the exchange are subject to regulation.
- Effective IT and Data security measures in place

3. COMPLIANCE PROCESSES TO ENSURE THAT CONTROLS ARE EFFECTIVE

The compliance process for the fund includes ongoing monitoring by the trustees to ensure that the above controls and procedures are effective in controlling and managing the identified risks in the use of derivatives and cryptocurrencies. If deficiencies are identified, the trustees will take corrective action. The trustees will review its policies and procedures in an effort to keep current with the evolving derivatives and crypto currency markets and to ensure that they these appropriately and in the best interests of fund members.

Signed



John Vardy
as trustees for the Vardy Superannuation Fund
Date: 01/07/2021



Elaine Vardy

Audit Representation Letter from Trustee(s)

Vardy Superannuation Fund

Year ended 30 June 2022

To the auditor,

Dear Sir,

With respect to the audit of the financial statements of the above mentioned fund for the year ended stated, the following representations are made which are true and correct to the best of my (our) knowledge and belief that will address the necessary compliance requirements of the *Superannuation Industry (Supervision) Act 1993*.

Preparation of the ATO Income Tax & Regulatory Return

The information disclosed in the annual return is complete and accurate.

Sole Purpose of the Fund

The sole purpose of the Fund is to provide retirement and/or death benefits to its members and/or beneficiaries.

Accounting Policies

All the significant accounting policies of the Fund are adequately described in the Financial Statements and the Notes thereto. These policies are consistently applied unless specifically noted in the Financial Statements and Notes.

Fund Books/Records/Minutes

All financial books, records and relevant material relating to the transactions and activities of the Fund have been made available to you, including minutes of the Trustees' meetings, the Trust Deed (as amended) and the Rules of the Fund. The Financial Statements accurately disclose the Revenue and Expenses and the full extent of the Assets and Liabilities of the Fund.

Asset Form

The assets of the Fund are being held in an acceptable form suitable for the benefit of the members of the Fund, and have been stated at their net market value.

Ownership and Pledging of Assets

1. The Fund has satisfactory title to all assets shown in the Financial Statements
2. Investments are registered in the name of Vardy Superannuation Fund
3. No assets of the Fund have been pledged to secure liabilities of the Fund or of any other fund or entity.

Investments

1. Investments are carried in the books at their net market value.
2. Amounts stated are considered reasonable in the current market condition, and there has not been any permanent diminution in their value below the amounts recorded in the Financial Statements.
3. There are no commitments, fixed or contingent, for the purchase or sale of long term investments.
4. Investment transactions and investments held are in accordance with the Investment Strategy, which has been determined with due regard to risk, return, liquidity and diversity.
5. The Trustee(s) have complied with all the Investment Standards stipulated in the Regulations relating to the SIS Act as amended.

Trust Deed Amendments

All amendments (if any) to the Trust Deed were made in order for the Fund to comply with the SIS Act, Regulations and any other applicable legislation relating to the operation and governance of the Fund.

Governing Rules

The Fund is being conducted in accordance with its Trust Deed and Governing Rules.

Legislative Requirements

The Fund is being conducted in accordance with the *Superannuation Industry (Supervision) Act 1993*, and the Regulations of the said Act.

Trustee Responsibilities

The Trustees are aware of their responsibilities to the Members and the various regulatory bodies.

Trustee Covenants

The Trustee(s) have complied with all the Trustee Covenants set out in section 52 of the *Superannuation (Supervision) Act 1993*.

Disqualified person not to act as a Trustee

There is no reason why any Trustee should be prohibited from acting as a Trustee of this Superannuation Fund.

Information to Members

Information relating to the transactions and activities of the Fund has been supplied in a timely manner.

Meetings

Meetings have been conducted in accordance with the Trust Deed and the requirements of the SIS Act. Resolutions and issues on which the Trustee(s) have voted, or on which they were required to vote have been passed by at least a 2/3rds majority of the Trustees.

Subsequent Events

Since the end of the financial year stated in the Financial Statements till the date of this letter, there have been no events or transactions that would have a material effect upon the Fund either financially or operationally.

Yours faithfully



John Vardy
Trustee



Elaine Vardy
Trustee

ENGAGEMENT LETTER

To: The Trustees, Vardy Superannuation Fund

Scope

You have requested that we audit the financial report of Vardy Superannuation Fund , which comprises the balance sheet as at 30 June 2022, and the income statement for the year then ended a summary of significant accounting policies, other explanatory notes and the trustees' declaration. We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter. Our audit will be conducted with the objective of expressing an opinion on the financial report and compliance with the *Superannuation Industry Supervisory Act 1993*.

We will conduct our audit in accordance with Australian Auditing Standards. Those Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. An audit also includes evaluating the appropriateness of the financial reporting framework, accounting policies used and the reasonableness of accounting estimates made by the Trustees, as well as evaluating the overall presentation of the financial report.

Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatements may remain undiscovered.

In making our risk assessments, we consider internal control relevant to the entity's preparation of the financial report 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 entity's internal control.

We take this opportunity to remind you that the responsibility for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Superannuation Industry Supervisory Act 1993* is that of the trustees. Our auditor's report will explain that the trustees are responsible for the preparation and the fair presentation of the financial report in accordance with the applicable financial reporting framework and this responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation of a financial report that is free from misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies; and

- making accounting estimates that are reasonable in the circumstances.

As part of our audit process, we will request from the trustees written confirmation concerning representations made to us in connection with the audit.

Other Matters under the *Corporations Act 2001*

Independence

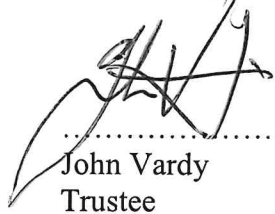
We confirm that, to the best of our knowledge and belief, we currently meet the independence requirements of the *Corporations Act 2001* in relation to the audit of the financial report. In conducting our audit of the financial report, should we become aware that we have contravened the independence requirements of the *Corporations Act 2001*, we shall notify you on a timely basis.

We look forward to your full cooperation and make available to us whatever records, documentation and other information we request in connection with our audit.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our audit of the financial report.

Yours faithfully,

Acknowledged on behalf of Vardy Superannuation Fund


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John Vardy
Trustee