

# **Federation Alternative Investments II**

ARSN 653 190 339

## **Annual report For the year ended 30 June 2024**

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## Annual report For the year ended 30 June 2024

### Contents

Directors' report

Auditor's independence declaration

Statement of comprehensive income

Statement of financial position

Statement of changes in equity

Statement of cash flows

Notes to the financial statements

Directors' declaration

Independent auditor's report to the unit holders of Federation Alternative Investments II

This annual report covers Federation Alternative Investments II.

The Responsible Entity of Federation Alternative Investments II is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:

Level 1, 575 Bourke Street  
Melbourne, VIC 3000.

## Directors' report

The directors of Equity Trustees Limited, the Responsible Entity of Federation Alternative Investments II (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2024. These financial statements have been prepared as it is a disclosing entity under the *Corporations Act 2001*.

### Principal activities

The Fund invests in businesses and assets that meet a social and economic need. Target Investments include operating companies with strong management teams and growth potential across the Asia-Pacific region in accordance with the provisions of the Fund's Constitution and the Product Disclosure Statement.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

The various service providers for the Fund are detailed below:

<b>Service</b>	<b>Provider</b>
Responsible Entity	Equity Trustees Limited
Investment Manager	Federation Asset Management Pty Ltd
Administrator	Apex Fund Services Pty Ltd (an Apex Group Company)
Custodian	Equity Trustees Limited
Statutory Auditor	Ernst & Young

### Directors

The following persons held office as directors of Equity Trustees Limited during or since the end of the year and up to the date of this report:

Philip D Gentry	Chairman (resigned 6 June 2024)
Michael J O'Brien	Chairman (appointed 6 June 2024)
Russell W Beasley	
Mary A O'Connor	
David B Warren	
Andrew P Godfrey	(appointed 1 May 2024)

### Review and results of operations

During the year, the Fund invested its funds in accordance with the provisions of the relevant constitutions and with the Product Disclosure Statement.

The Fund's performance for the Retail Class units, Wholesale Class units and Wholesale B Class units was 18.71% (net of fees), 19.13% (net of fees) and 17.58% (net of fees) respectively for the year ended 30 June 2024 (2023: 2.09%, 2.39% and 2.07%). The Fund's simple net annual rate of return is calculated based on the movement in unit price for the year and includes any distribution proceeds.

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

	Year ended 30 June 2024 \$'000	Year ended 30 June 2023 \$'000
Profit/(loss) before finance costs attributable to unit holders for the year	<b>4,631</b>	218

There were no distributions declared for the year ended 30 June 2024 (30 June 2023: nil).

## Directors' report (continued)

### Significant changes in the state of affairs

Andrew P Godfrey was appointed as a director of Equity Trustees Limited on 1 May 2024.

Philip D Gentry resigned as a director of Equity Trustees Limited on 6 June 2024.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Fund that occurred during the financial year.

### Matters subsequent to the end of the financial year

No matter or circumstance have arisen since 30 June 2024 that have significantly affected, or may have a significant effect on:

- i. the operations of the Fund in future financial years;
- ii. the results of those operations in future financial years; or
- iii. the state of affairs of the Fund in future financial years.

### Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the Product Disclosure Statement and the provisions of the relevant constitutions.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

### Indemnification and insurance of officers

No insurance premiums are paid for out of the assets of the Fund in regard to insurance cover provided to the officers of Equity Trustees Limited. So long as the officers of Equity Trustees Limited 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.

### Indemnification of auditor

The Responsible Entity has not, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify the auditor of the Fund against a liability incurred as auditor.

### Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 6 to the financial statements.

The value of the Fund's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

### Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under Commonwealth, State or Territory law.

## Directors' report (continued)

### Rounding of amounts to the nearest thousand dollars

Amounts in the Director's report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191*, unless otherwise indicated.

### Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



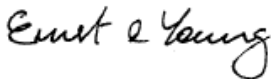
Andrew P Godfrey  
Director

Melbourne  
25 September 2024

## Auditor's Independence Declaration to the Directors of Equity Trustees Limited as Responsible Entity for Federation Alternative Investments II

As lead auditor for the audit of the financial report of Federation Alternative Investments II for the financial year ended 30 June 2024, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.



Ernst & Young



Jonathan Pye  
Partner  
25 September 2024

## Statement of comprehensive income

	Year ended 30 June 2024 \$'000	Year ended 30 June 2023 \$'000
Note		
<b>Income</b>		
Interest income from financial assets at amortised cost	920	270
Other income	-	187
Net gains/(losses) financial instruments at fair value through profit or loss	4,578	238
Management fees and costs reimbursement	192	17
<b>Total income/(loss)</b>	<b>5,690</b>	<b>712</b>
<b>Expenses</b>		
Management fees and costs	777	339
Performance fees	51	-
Professional and consulting fees	151	95
Organisation expenses	-	25
Other expenses	80	35
<b>Total expenses</b>	<b>1,059</b>	<b>494</b>
<b>Profit/(loss) before finance costs attributable to unit holders for the year</b>	<b>4,631</b>	<b>218</b>
<b>Finance costs attributable to unit holders</b>		
(Increase)/decrease in net assets attributable to unit holders	(4,631)	(218)
<b>Total finance costs attributable to unit holders</b>	<b>(4,631)</b>	<b>(218)</b>
<b>Profit/(loss) for the year</b>	<b>-</b>	<b>-</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

## Statement of financial position

	Note	As at	
		30 June 2024 \$'000	30 June 2023 \$'000
<b>Assets</b>			
Cash and cash equivalents	9	43,862	10,386
Financial assets at fair value through profit or loss	5	38,175	6,874
Receivables	11	479	533
Loan receivables		-	55
Due from related party	14(f)	-	8
<b>Total assets</b>		<b>82,516</b>	<b>17,856</b>
<b>Liabilities</b>			
Payables	12	195	150
Subscriptions received in advance	7	4,212	2,061
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<b>4,407</b>	<b>2,211</b>
<b>Net assets attributable to unit holders – liability</b>	6	<b>78,109</b>	<b>15,645</b>

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



## Statement of changes in equity

	Year ended 30 June 2024 \$'000	Year ended 30 June 2023 \$'000
<b>Total equity at the beginning of the financial year</b>	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	-	-
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the financial year *</b>	-	-

\* Under Australian Accounting Standards, net assets attributable to unit holders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the financial year.

*The above statement of changes in equity should be read in conjunction with the accompanying notes with reference to Notes 2c and 6.*

## Statement of cash flows

		Year ended 30 June 2024 \$'000	Year ended 30 June 2023 \$'000
	Note		
<b>Cash flows from operating activities</b>			
Payments for purchase of financial assets at fair value through profit or loss		(26,723)	(6,637)
Interest income from financial asset at amortised cost		927	265
Other income		47	3
Organisation expenses paid		-	(25)
Management fees and costs reimbursement received		192	17
Management fees and costs paid		(777)	(293)
Professional and consulting fees paid		(151)	(95)
Other expenses paid		(86)	(31)
Loans		55	-
Advanced to related party		8	(8)
<b>Net cash inflow/(outflow) from operating activities</b>	10	<b>(26,508)</b>	<b>(6,804)</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unit holders		63,234	10,024
Payments of redemptions by unit holders		(3,250)	(3,669)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>59,984</b>	<b>6,355</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>33,476</b>	<b>(449)</b>
Cash and cash equivalents at the beginning of the year		10,386	10,835
<b>Cash and cash equivalents at the end of the year</b>	9	<b>43,862</b>	<b>10,386</b>

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

## Notes to the financial statements

### Contents

1. General information
2. Summary of material accounting policies
3. Financial risk management
4. Fair value measurement
5. Financial assets at fair value through profit or loss
6. Net assets attributable to unit holders – liability
7. Subscriptions received in advance
8. Distributions to unit holders
9. Cash and cash equivalents
10. Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities
11. Receivables
12. Payables
13. Remuneration of auditors
14. Related party transactions
15. Events occurring after the reporting period
16. Contingent assets and liabilities and commitments

## 1. General information

These financial statements cover Federation Alternative Investments II (“the Fund”) as an individual entity. The Fund was constituted on 8 September 2021 and will terminate in accordance with the provisions of the Fund’s Constitution or the Law.

The Responsible Entity of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the “Responsible Entity”). The Responsible Entity’s registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. The financial statements are presented in the Australian currency unless otherwise noted.

The Fund invests in businesses and assets that meet a social and economic need. Target Investments include operating companies with strong management teams and growth potential across the Asia-Pacific region in accordance with the provisions of the Fund’s Constitution and the Product Disclosure Statement.

The financial statements were authorised for issue by the directors on the date the Directors’ declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

## 2. Summary of material accounting policies

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

### a. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* in Australia. The Fund is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for net assets attributable to unit holders.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time.

#### *i. Compliance with International Financial Reporting Standards (IFRS)*

The financial statements of the Fund also comply with IFRS as issued by the International Accounting Standards Board (IASB).

#### *ii. New standards, interpretations and amendments adopted by the Fund*

The Fund has applied the following standards and amendments for the first time for its financial year beginning 1 July 2023:

- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* [AASB 7, AASB 101, AASB 108, AASB 134 & AASB *Practice Statement 2*].

The amendments have had an impact on the Fund’s disclosures of accounting policies, including the requirement to disclose ‘material’ rather than ‘significant’ accounting policies, but not on the measurement, recognition or presentation of any items in the Fund’s financial statements.

## 2. Summary of material accounting policies (continued)

### a. Basis of preparation (continued)

#### ii. *New standards, interpretations and amendments adopted by the Fund (continued)*

None of the other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2023 have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

#### iii. *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 2024 and have not been early adopted in preparing these financial statements.

None of these are expected to have a material effect on the financial statements of the Fund.

### b. Financial instruments

#### i. *Classification*

- Financial assets

The Fund classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

The Fund classifies its financial assets based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The Fund's portfolio of financial assets is managed and its performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Investment Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For cash and cash equivalents, receivables and due from related party, these assets are held in order to collect the contractual cash flows. The contractual terms of these assets give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- Financial liabilities

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (payables and subscriptions received in advance).

#### ii. *Recognition and derecognition*

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

## 2. Summary of material accounting policies (continued)

### b. Financial instruments (continued)

#### ii. *Recognition and derecognition (continued)*

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

#### iii. *Measurement*

- Financial instruments at amortised cost

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured using the effective interest rate method less any allowance for expected credit losses.

Cash and cash equivalents, loan receivables, receivables and due from related party, are carried at amortised cost.

#### iv. *Impairment*

At each reporting date, the Fund shall estimate a loss allowance on financial assets at amortised cost (cash and cash equivalents, loans receivable, receivables and due from related party) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, The Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net carrying amount adjusted for the loss allowance. The assessment of significant increase in credit risk (SICR) includes both past due information and forward-looking information such as the arrears status, the borrower entering into financial hardship status and the impact of forward looking information for emerging risks at an industry, geographic and or portfolio segment level.

The expected credit loss (ECL) approach is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

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

#### v. *Offsetting financial instruments*

Financial asset and liabilities are offset the net amount is reported in the statement of financial position when the Fund has legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

As at the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

## 2. Summary of material accounting policies (continued)

### c. Net assets attributable to unit holders

Units are redeemable at the unit holders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unit holders.

The units can be put back to the Fund at any time for cash based on the redemption price which is equal to a proportionate share of the Fund's net asset value attributable to the unit holders.

The units are carried at the redemption amount that is payable at the reporting date if the holder exercises the right to put the units back to the Fund.

### d. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as trading of these securities represents the Fund's main income generating activity.

### e. Income

#### i. Interest income

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents.

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

### f. Expenses

All expenses are recognised in the statement of comprehensive income on an accrual basis.

Management fees and costs cover certain ordinary expenses such as management fees, Responsible Entity fees, audit fees, and administration fees which include custodian fees, cost of unit holder meetings, special valuation of assets and other operating expenses.

### g. Income tax

Under the current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unit holders. The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are included in the statement of comprehensive income as an expense.

## 2. Summary of material accounting policies (continued)

### h. Distributions

The Fund may distribute its distributable income, in accordance with the relevant constitutions, to unit holders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance cost attributable to unit holders.

### i. Increase/decrease in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders. Where the Fund's units are classified as financial liabilities, movements in net assets attributable to unit holders are recognised in the statement of comprehensive income as finance costs.

### j. Foreign currency translation

#### *i. Functional and presentation currency*

Balances included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

#### *ii. Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions 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.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

The Fund does not isolate that portion of unrealised gains or losses on financial instruments at fair value through profit or loss which is due to changes in foreign exchange rates. Such fluctuations are included in the net gains/(losses) on financial instruments at fair value through profit or loss.

### k. Receivables

Receivables include amounts for RITC receivable, interest and expense reimbursement receivable. Dividends and trust distributions are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

### l. Payables

Payables include liabilities and accrued expenses owed by Fund and any distributions declared which are unpaid as at the end of the year.

### 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.



## **2. Summary of material accounting policies (continued)**

### **n. Goods and services tax (GST)**

The GST incurred on the costs of various services provided to the Fund by third parties such as management, administration and custodian services where applicable, have been passed on to the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence, fees for these services and any other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts 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. Use of estimates and judgements**

The Fund makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods effected.

Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager.

The Fund estimates that the resultant expected credit loss (ECL) derived from using impairment model, has not materially impacted the Fund. Please see Note 3(c) for more information on credit risk.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations, require management to make estimates and judgements. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For more information on how fair value is calculated refer to Note 4 to the financial statements.

### **p. Rounding of amounts**

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191* relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

### **q. Comparative revisions**

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

## **3. Financial risk management**

The Fund's activities expose it to a variety of financial risks including market risk (which incorporates price risk, foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement and the investment guidelines of the Fund. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund's policy allows it to use derivative financial instruments in managing its financial risks.

The investments of the Fund, and associated risks, are managed by a specialist Investment Manager, Federation Asset Management Pty Ltd under an Investment Management Agreement (IMA) approved by the Responsible Entity and containing the investment strategy and guidelines of the Fund, consistent with those stated in the Product Disclosure Statement.

### 3. Financial risk management (continued)

The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

The Fund is exposed to price risk on its investments in unlisted securities and unlisted unit trusts. These investments comprise 100% of the Fund's financial assets at fair value through profit or loss.

The price risk is managed by Federation Asset Management Pty Ltd, the Investment Manager of the Fund.

#### a. Market risk

##### i. Price risk

The table at Note 3(b) summarises the sensitivities of the Fund's assets and liabilities to price risk. The analysis is based on the reasonably possible shift that the investment portfolio in which the Fund invests moves by +/- 10%.

##### ii. Foreign exchange risk

The Fund invests purely in Australia and therefore is not subject to foreign exchange risk.

##### iii. Cash flow and fair value interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk.

Interest rate risk management is undertaken by maintaining as close to a fully invested position as possible and entering into arrangements with fixed interest terms thus limiting the exposure of the Fund to interest rate risk.

The Fund's interest bearing financial instruments assets expose it to risks associated with the effects of fluctuations in the prevailing of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis. The impact of the interest rate risk on operating profit and net assets attributable to unit holders is considered immaterial to the Fund.

#### b. Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unit holders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in foreign exchange rates, interest rates and the historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

	Impact on operating profit/net assets attributable to unit holders			
	Price risk		Interest rate risk	
	+10%	-10%	+100bps	-100bps
	\$'000	\$'000	\$'000	\$'000
As at 30 June 2024	3,818	(3,818)	272	(272)
As at 30 June 2023	687	(687)	107	(107)

### 3. Financial risk management (continued)

#### c. Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay its obligations in full when they fall due, causing a financial loss to the Fund.

The Fund does not have a significant concentration of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. The main concentration of credit risk, to which the Fund is exposed, arises from cash and cash equivalents and loan receivable.

None of these assets are impaired nor past their due date. The maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents and loan receivable.

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

The Fund is not materially exposed to credit risk on other financial assets.

##### *i. Maximum exposure to credit risk*

The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

#### d. Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Liquidity risk is managed by Equity Trustees Limited and Federation Asset Management Pty Ltd.

##### *i. Maturities of non-derivative financial liabilities*

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
<b>As at 30 June 2024</b>					
Payables	-	195	-	-	195
Subscriptions received in advance	4,212	-	-	-	4,212
<b>Contractual cash flows (excluding derivatives)</b>	<b>4,212</b>	<b>195</b>	<b>-</b>	<b>-</b>	<b>4,407</b>

### 3. Financial risk management (continued)

#### d. Liquidity risk (continued)

##### i. Maturities of non-derivative financial liabilities (continued)

	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
As at 30 June 2023					
Payables	4	146	-	-	150
Subscriptions received in advance	2,061	-	-	-	2,061
Contractual cash flows (excluding derivatives)	2,065	146	-	-	2,211

### 4. Fair value measurement

The Fund measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis.

- Financial assets at fair value through profit or loss (see Note 5)

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements.

#### a. Fair value in an inactive or unquoted market – unobservable inputs (level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such Funds. The Fund may make adjustments to the value based on considerations such as: liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting.

#### 4. Fair value measurement (continued)

##### a. Fair value in an inactive or unquoted market – unobservable inputs (level 3) (continued)

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

##### b. Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2024 and 30 June 2023.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>As at 30 June 2024</b>				
<b>Financial assets</b>				
Unlisted unit trusts	-	-	21,421	21,421
Loan receivable	-	-	16,754	16,754
<b>Total financial assets</b>	-	-	<b>38,175</b>	<b>38,175</b>
<b>As at 30 June 2023</b>				
<b>Financial assets</b>				
Unlisted unit trusts	-	-	6,874	6,874
<b>Total financial assets</b>	-	-	<b>6,874</b>	<b>6,874</b>

##### c. Fair value measurements using significant unobservable inputs (level 3)

The following table presents the movement in level 3 instruments for the year ended 30 June 2024 and 30 June 2023 by class of financial instrument.

	Loan \$'000	Unlisted unit trusts \$'000	Total \$'000
Opening balance	-	-	-
Purchases	-	6,636	6,636
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	-	238	238
Closing balance – 30 June 2023	-	6,874	6,874
Purchases	16,500	10,223	26,723
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	254	4,324	4,578
<b>Closing balance – 30 June 2024</b>	<b>16,754</b>	<b>21,421</b>	<b>38,175</b>

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels in the fair value hierarchy for the year ended 30 June 2024 (30 June 2023: nil).

##### i. Valuation inputs and relationships to fair value

The fair value of level 3 investments is determined using recognised valuation techniques such as the capitalisation of net income method, relevant transaction values and various other analyses.

#### 4. Fair value measurement (continued)

##### c. Fair value measurements using significant unobservable inputs (level 3) (continued)

###### i. Valuation inputs and relationships to fair value (continued)

The following table summarises the quantitative information about the significant unobservable inputs used in the level 3 fair value measurements.

Description	Fair value \$'000	Valuation technique	Unobservable inputs	Range	Sensitivity
<b>As at 30 June 2024:</b>					
Unlisted unit trusts	21,421	Net asset value as at 30 June 2024	Net asset value as at 30 June 2024	N/A	Direct
Loan receivable	16,754	Principal plus interest as at 30 June 2024	Interest rate	15%	N/A
	38,175				
<b>As at 30 June 2023:</b>					
Unlisted unit trusts	6,874	Net asset value as at 30 June 2023	Net asset value as at 30 June 2023	N/A	Direct
	6,874				

###### ii. Valuation processes

Portfolio reviews are undertaken regularly by management to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as being level 3 securities.

Further analysis, should it be required, is undertaken to determine the accounting significance of the identification. Changes in allocation to or from level 3 are analysed at the end of each reporting period and are disclosed in Note 4(c) above.

Valuations of the assets are undertaken in accordance with the valuation policy which shall include an annual review or more frequent review by the Investment Manager and the Responsible Entity. They ensure that valuation methods and policies used in relation to the Fund are consistent with the accounting principles and within the range of ordinary commercial practice.

##### d. Financial instruments not carried at fair value

The financial instruments not measured at fair value through the profit and loss include:

i. Cash and cash equivalent, balances due from related party and receivables/payables. These are short-term financial assets and financial liabilities whose carrying values approximate fair value, because of their short-term nature and the high credit quality of counterparties; and

ii. Net assets attributable to unit holders, as the Fund routinely redeems and issues units at an amount equal to the proportionate share of the Fund's net assets at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying value of net assets attributable to unit holders approximates their fair value. Any difference is not material in the current year or prior year.

## 5. Financial assets at fair value through profit or loss

	As at	
	30 June 2024 \$'000	30 June 2023 \$'000
Investments in unlisted unit trusts	21,421	6,874
Loan receivables	16,754	-
<b>Total financial assets at fair value through profit or loss</b>	<b>38,175</b>	<b>6,874</b>

## 6. Net assets attributable to unit holders – liability

The Fund's units are classified as a liability as they do not meet the definition of a financial instrument to be classified as equity.

Movements in the number of units and net assets attributable to unit holders during the year were as follows:

	Year ended 30 June 2024		Year ended 30 June 2023	
	Units '000	\$ '000	Units '000	\$ '000
<b>Retail Class</b>				
Opening balance	4,461	4,459	3,161	3,095
Applications	8,204	9,294	2,582	2,596
Redemptions	(468)	(527)	(1,282)	(1,294)
Change in net assets attributable to unit holders	-	1,246	-	62
<b>Closing balance</b>	<b>12,197</b>	<b>14,472</b>	<b>4,461</b>	<b>4,459</b>
<b>Wholesale Class</b>				
Opening balance	9,782	9,806	7,258	7,106
Applications	44,556	51,788	4,824	4,865
Redemptions	(1,880)	(2,150)	(2,300)	(2,302)
Change in net assets attributable to unit holders	-	3,205	-	137
<b>Closing balance</b>	<b>52,458</b>	<b>62,649</b>	<b>9,782</b>	<b>9,806</b>
<b>Wholesale Class B</b>				
Opening balance	1,380	1,380	935	916
Applications	-	-	500	500
Redemptions	(540)	(573)	(55)	(55)
Change in net assets attributable to unit holders	-	181	-	19
<b>Closing balance</b>	<b>840</b>	<b>988</b>	<b>1,380</b>	<b>1,380</b>
<b>Total closing balance</b>	<b>65,495</b>	<b>78,109</b>	<b>15,623</b>	<b>15,645</b>

The Fund has issued units in three separate classes – retail, wholesale and wholesale B. There is no limited recourse protection for any class. In an insolvency, all of the assets of the Fund will be available to meet all of their respective liabilities regardless of the class to which such assets or liabilities are attributable. It is possible that losses or other liabilities sustained by one class in excess of the assets attributable to such class will be charged against the assets of another class. In practice, cross-class or cross-series liability is only expected to arise where liabilities referable to one class are in excess of the assets referable to such class and such class is unable to meet all liabilities attributed to it. In such a case, the assets of the Fund attributable to other classes would be applied to cover such liability excess.

## 6. Net assets attributable to unit holders – liability (continued)

### Capital risk management

The Fund considers its net assets attributable to unit holders as capital, notwithstanding that net asset attributable to unit holders are classified as a liability. The amount of net assets attributable to unit holders can change significantly on a monthly basis as the Fund is subject to monthly applications and redemptions at the discretion of unit holders.

Applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interest of unit holders.

## 7. Subscriptions received in advance

Subscriptions received in advance represent the amounts received from unitholders for subscriptions to units of the Fund. As at 30 June 2024, the subscriptions received in advance amount to \$4,211,639 (30 June 2023: \$2,061,367).

## 8. Distributions to unit holders

There were no distributions declared for the year ended 30 June 2024 (30 June 2023: nil).

## 9. Cash and cash equivalents

	As at	
	30 June 2024 \$'000	30 June 2023 \$'000
Cash at bank	43,862	10,386
<b>Total cash and cash equivalents</b>	<b>43,862</b>	<b>10,386</b>

## 10. Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Year ended 30 June 2024 \$'000	Year ended 30 June 2023 \$'000
Change in net assets attributable to unit holders	4,631	218
Net change in prepayments and receivables	54	(189)
Net change in due from related parties	8	(8)
Net change in financial instruments at fair value through profit or loss	(31,301)	(6,874)
Net change in loan receivable	55	-
Net change in payables	45	49
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(26,508)</b>	<b>(6,804)</b>



## 10.Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities (continued)

Changes in liabilities arising from financing activities

Account	Beginning balance	Redemptions	Payments	Ending balance
	\$'000	\$'000	\$'000	\$'000
<b>As at 30 June 2024:</b>				
Redemptions payable	-	3,250	(3,250)	-
<b>As at 30 June 2023:</b>				
Redemptions payable	17	3,652	(3,669)	-

## 11.Receivables

	As at	
	30 June 2024 \$'000	30 June 2023 \$'000
Expense reimbursement receivable	410	473
Interest receivable	-	7
RITC receivable	18	53
Prepaid expenses	51	-
<b>Total receivables</b>	<b>479</b>	<b>533</b>

## 12.Payables

	As at	
	30 June 2024 \$'000	30 June 2023 \$'000
Management fees and costs payable	144	144
Performance fees payable	51	-
Other payables	-	6
<b>Total payables</b>	<b>195</b>	<b>150</b>

### 13. Remuneration of auditors

During the year the fees paid or payable for services provided by the auditors of the Fund:

	Year ended 30 June 2024 \$	Year ended 30 June 2023 \$
<b>Ernst &amp; Young</b>		
<i>Audit and other assurance services</i>		
Audit of financial statements	24,214	14,327
<i>Taxation services</i>		
Tax compliance services	23,257	11,757
<b>Total remuneration of Ernst &amp; Young</b>	<b>47,471</b>	<b>26,084</b>
<b>PricewaterhouseCoopers</b>		
<i>Other services</i>		
Audit of compliance plan	2,448	2,346
<b>Total remuneration of PricewaterhouseCoopers</b>	<b>2,448</b>	<b>2,346</b>

The auditors' remuneration is borne by the Fund. Fees are stated exclusive of GST.

### 14. Related party transactions

The Responsible Entity of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to Equity Trustees Limited are disclosed below.

The Responsible Entity has contracted services to Federation Asset Management Pty Ltd to act as Investment Manager for the Fund and Apex Fund Services Pty Ltd to act as an Administrator for the Fund and Equity Trustees Limited to act as a Custodian for the Fund. The contracts are on normal commercial terms and conditions.

#### a. Key management personnel

##### i. Directors

Key management personnel include persons who were directors of Equity Trustees Limited at any time during or since the end of the financial year and up to the date of this report.

Philip D Gentry	Chairman (resigned 6 June 2024)
Michael J O'Brien	Chairman (appointed 6 June 2024)
Russell W Beasley	
Mary A O'Connor	
David B Warren	
Andrew P Godfrey	(appointed 1 May 2024)

##### ii. Responsible Entity

Other than fees paid to the Responsible Entity, there were no other transactions.

##### iii. Other key management personnel

There were no other key management personnel with responsibility for planning, directing and controlling activities of the Fund, directly or indirectly during the financial year.

## 14. Related party transactions (continued)

### b. Key management personnel compensation

Key management personnel are paid by EQT Services Pty Ltd. Payments made from the Fund to Equity Trustees Limited do not include any amounts directly attributable to the compensation of key management personnel.

### c. Key management personnel loans

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

### d. Transactions with key personnel

There were no transactions with key management personnel during the year.

### e. Key management personnel unit holdings

Key management personnel did not hold units in the Fund as at 30 June 2024.

### f. Other transactions within the Group

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Group during the financial year and there were no material contracts involving management personnel's interests existing at year end. As at 30 June 2024 due from related party of \$Nil is receivable from Federation Trust No 2A, related to administration fees the Fund pays on behalf of Federation Trust No 2A (30 June 2023: \$7,943).

### g. Responsible Entity fees, Investment Manager's fees and other transactions

The transactions during the year and amounts payable as at year end between the Fund, the Responsible Entity and the Investment Manager were as follows:

	Year ended 30 June 2024 \$	Year ended 30 June 2023 \$
Responsible Entity fees for the year	60,125	60,000
Management fees for the year	565,065	174,367
Management cost rebate received for the year	192,227	16,984
Performance fees for the year	50,811	-
Responsible Entity fees payable at year end	32,336	97,611
Management fees payable at year end	91,436	19,820
Management cost rebate receivable at year end	20,547	2,406
Performance fees payable at year-end	50,811	-

Under the terms of the Fund's Constitution and Product Disclosure Statement for the Fund, management fees and costs includes responsible entity fees paid to the Responsible Entity, management fees paid to the Investment manager and other costs (such as custody, administration and audit fees) paid to other unrelated parties. For information on how management fees and costs are calculated, please refer to the Fund's Product Disclosure Statement.

## **14. Related party transactions (continued)**

### **g. Responsible Entity fees, Investment Manager's fees and other transactions (continued)**

Management cost reimbursement – Management costs reimbursed represent monies put into the Fund to ensure that the Fund's overall management costs remain within that disclosed in the Product Disclosure Statement.

Performance fees – Under the terms of the Fund's Constitution and Product Disclosure Statement, the Investment Manager is also entitled to receive a performance fee in relation to the performance of the Fund.

### **h. Related party unit holdings**

Parties related to the Fund (including Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) held no units in the Fund as at 30 June 2024 and 30 June 2023.

### **i. Investments**

The Fund did not hold any investments in Equity Trustees Limited or its related parties during the year (2023: nil).

## **15. Events occurring after the reporting period**

No significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2024 or on the results and cash flows of the Fund for the year ended on that date.

## **16. Contingent assets and liabilities and commitments**

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2024 and 30 June 2023.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- a. The financial statements and notes set out on pages 6 to 27 are in accordance with the *Corporations Act 2001*, including:
  - i. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - ii. giving a true and fair view of the Fund's financial position as at 30 June 2024 and of its performance for the period ended on that date.
- b. There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- c. Note 2(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Andrew P Godfrey  
Director

Melbourne  
25 September 2024



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## Independent auditor's report to the Unitholders of Federation Alternative Investments II

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Federation Alternative Investments II (the "Fund"), which comprises the statement of financial position as at 30 June 2024, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, and the directors' declaration.

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

- a. Giving a true and fair view of the financial position of the Fund as at 30 June 2024 and of its financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Information other than the financial report and auditor's report thereon

The directors Equity Trustees Limited (the Responsible Entity) are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the financial report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the 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 objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

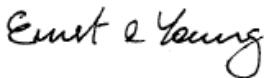
- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Fund audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Ernst & Young



Jonathan Pye  
Partner  
Sydney  
25 September 2024