

Ares Australian Direct Lending Fund

ABN 18 720 941 470

Annual report

For the period 2 August 2023 to 31 December 2024

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This annual report covers Ares Australian Direct Lending Fund as an individual entity.

The Trustee of Ares Australian Direct Lending Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Trustee's registered office is:

Level 1, 575 Bourke Street
Melbourne, VIC 3000.

Trustee's report

The directors of Equity Trustees Limited, the Trustee of Ares Australian Direct Lending Fund (the "Fund"), present their report together with the financial statements of the Fund for the period 2 August 2023 to 31 December 2024.

Principal activities

The Fund was established on 2 August 2023 and commenced operations on 1 January 2024.

The Fund is an Australian Feeder Fund which primarily invests in Ares Asia Direct Lending LP (the Master Fund or ADL), a Cayman Islands based limited partnership established under a Partnership Agreement, that is seeking to capitalise on the growing opportunity in direct lending and self-origination of floating rate secured loans to Australian and New Zealand mid-to-large companies. ADL seeks to provide loans to mid-to-large sized Australian and New Zealand companies with strong market share in stable industries. The Manager believes that there is a unique opportunity set which can be captured utilizing the power of the Ares Management platform. The Fund is also authorised to invest in the Ares Global Credit Income Fund (the Underlying Fund).

The Fund invests to generate strong risk adjusted returns through company-specific research and analysis alongside an assessment of the overall macroeconomic environment and financial markets only in accordance with the Information Memorandum and the provisions of the Trust Deed.

The Fund did not have any employees during the period.

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

The various service providers of the Fund are detailed below:

Service	Provider
Trustee	Equity Trustees Limited
Investment Manager	Ares Management Asia (Australia) Pty Ltd
Custodian and Administrator	Apex Fund Services Pty Ltd (an Apex Group Company)
Statutory Auditor	Ernst & Young

Directors

The following persons held office as directors of Equity Trustees Limited during or since the end of the period 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	(resigned 9 October 2024)
Mary A O'Connor	
David B Warren	
Andrew P Godfrey	(appointed 1 May 2024)
Johanna E Platt	(appointed 9 October 2024)

Review and results of operations

During the period, the Fund invested its funds in accordance with the Information Memorandum and the provisions of the Trust Deed.

The Fund's performance was 14.92% (net of fees) for the period ended 31 December 2024. The Fund does not report against a performance benchmark.

The Fund's performance is calculated based on the percentage change in the unit price in the Fund over the period. Returns are disclosed after fees and expenses.

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

	For the period 2 August 2023 to 31 December 2024
Profit/(loss) for the period (\$'000)	3,024
Distributions paid and payable (\$'000)	1,020
Distributions (cents per unit)	49.7076

Trustee's 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.

On 9 October 2024, Russell W Beasley resigned as a director of Equity Trustees Limited, with Johanna E Platt being appointed as director on the same date.

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

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may have a significant effect on:

- i. the operations of the Fund in future financial years; or
- 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 Information Memorandum and the provisions of the Trust Deed.

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 Trust Deed 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 Trustee has not, during or since the end of the financial period, except to the extent permitted by law, indemnified or agreed to indemnify the auditor of the Fund against a liability incurred as auditor.

Fees paid to and interests held in the Fund by the Trustee and its associates

Fees paid to the Trustee and its associates out of the Fund's property during the period are disclosed in Note 13 to the financial statements.

No fees were paid out of the Fund's property to the directors of the Trustee during the period.

The number of interests in the Fund held by the Trustee or its associates as at the end of the financial period are disclosed in Note 13 of the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the period 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.

Rounding of amounts to the nearest thousand dollars

Amounts in the Directors' report have been rounded to the nearest thousand dollars, unless otherwise indicated.

Trustee's report (continued)

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



Andrew P Godfrey
Directors

Melbourne
11 April 2025

Statement of comprehensive income

	Note	For the period 2 August 2023 to 31 December 2024 \$'000
Income		
Interest income from financial assets at amortised cost		352
Dividend and distribution income		1,136
Net gains/(losses) on financial instruments at fair value through profit or loss		1,948
Management fee and ordinary expenses reimbursement	13(g)	185
Total income/(loss)		3,621
Expenses		
Management fees	13(g)	55
Ordinary expenses		233
Other expenses	12	309
Total expenses		597
Profit/(loss) for the period		3,024
Other comprehensive income		-
Total comprehensive income for the period		3,024

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

Statement of financial position

	Note	As at 31 December 2024 \$'000
Assets		
Cash and cash equivalents	8	6,610
Receivables	9	151
Other assets		269
Financial assets at fair value through profit or loss	3, 4	15,638
Total assets		22,668
Liabilities		
Payables	10	147
Total liabilities		147
Net assets attributable to unit holders - equity	6	22,521

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

Statement of changes in equity

	Note	For the period 2 August 2023 to 31 December 2024 \$'000
Total equity at the beginning of the financial period		-
Profit/(loss) for the period	6	3,024
Other comprehensive income		-
Total comprehensive income		3,024
Transactions with unit holders		
Applications	6	20,517
Distributions paid and payable	6, 7	(1,020)
Total equity at the end of the financial period	6	22,521

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

	Note	For the period 2 August 2023 to 31 December 2024 \$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments at fair value through profit or loss		1,500
Payments for purchase of financial instruments at fair value through profit or loss		(15,190)
Dividends and distributions received		1,136
Management fee and ordinary expenses reimbursement received		55
Interest income received from financial assets at amortised cost		352
Management fees paid		(55)
Ordinary expenses paid		(149)
Other expenses paid		(536)
Net cash inflow/(outflow) from operating activities		(12,887)
Cash flows from financing activities		
Proceeds from applications by unit holders	6	20,517
Distributions paid to unit holders	6	(1,020)
Net cash inflow/(outflow) from financing activities		19,497
Net increase/(decrease) in cash and cash equivalents		6,610
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	8	6,610

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

Notes to the financial statements

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1. General information

These financial statements cover Ares Australian Direct Lending Fund (the "Fund") as an individual entity. The Fund is an Australian unregistered managed investment scheme which was established on 2 August 2023 and will terminate in accordance with the provisions of the Trust Deed or by law.

The Trustee of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the "Trustee"). The Trustee 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 is an Australian Feeder Fund which invests primarily in Ares Asia Direct Lending LP (the Master Fund or ADL), a Cayman Islands based limited partnership established under a Partnership Agreement, that is seeking to capitalise on the growing opportunity in direct lending and self-origination of floating rate secured loans to Australian and New Zealand mid-to-large companies. ADL seeks to provide loans to mid-to-large sized Australian and New Zealand companies with strong market share in stable industries. The Manager believes that there is a unique opportunity set which can be captured utilizing the power of the Ares Management platform. The Fund is also authorised to invest in the Ares Global Credit Income Fund (the Underlying Fund).

The Fund invests to generate strong risk adjusted returns through company-specific research and analysis alongside an assessment of the overall macroeconomic environment and financial markets only in accordance with the Information Memorandum and the provisions of the Trust Deed.

The financial statements were authorised for issue by the directors on the date the Trustee's declaration was signed. The directors of the Trustee 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 the period 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). The Fund is a for-profit entity for the purpose of preparing the financial statements.

Statement of compliance

The Fund does not have 'public accountability' as defined in AASB 1053 *Application of Tiers of Australian Accounting Standards* ("AASB 1053") and is therefore eligible to apply the 'Tier 2' reporting framework under Australian Accounting Standards.

The financial statements comply with the recognition and measurement requirements of Australian Accounting Standards, the presentation requirements in Australian Accounting Standards as modified by AASB 1060 *General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* ("AASB 1060") and the disclosure requirements in AASB 1060. Accordingly, the financial statements comply with Australian Accounting Standards – Simplified Disclosures.

Compliance with Australian Accounting Standards – Simplified Disclosures also ensures that the financial statements have been prepared in accordance with the recognition and measurement requirements, but not the presentation and disclosure requirements, of International Financial Reporting Standards ("IFRS").

These are general purpose financial statements that have been prepared for the sole purpose of complying with the Fund's requirements to prepare and distribute the financial statements to the unit holders and are not intended to be used for any other purpose. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the unit holders.

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 investments in financial assets and 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, as well as to meet any liquidity requirements.

2. Summary of material accounting policies (continued)

a. Basis of preparation (continued)

i. 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 January 2025 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 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 equity securities, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

For cash and cash equivalents and receivables, 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).

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 fair value of the financial assets or financial liabilities from this date.

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 fair value through profit or loss

At initial recognition, the Fund measures a financial asset and a financial liability at its fair value. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in fair value of 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise.

For further details on how they fair value of financial instruments is determined, please see Note 4 to the financial statements.

2. Summary of material accounting policies (continued)

b. Financial instruments (continued)

iii. Measurement (continued)

- 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, receivables and payables are carried at amortised cost.

iv. Impairment

At each reporting date, the Fund shall estimate a loss allowance on each of the financial assets carried at amortised cost (cash and cash equivalents and receivables) 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. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

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 assets and liabilities are offset and the net amount reported in the statement of financial position when the Fund has a 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.

c. Net assets attributable to unit holders

The Fund is an illiquid close-ended unlisted Australian registered managed investment scheme and is not subject to redemptions and further applications.

The Fund's units are classified as equity as they satisfy the following criteria under AASB 132 *Financial Instruments Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

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.

2. Summary of material accounting policies (continued)

e. Income

i. Interest income

Interest income from financial assets at amortised cost is recognised using the effective interest method and includes interest from cash and cash equivalents.

The effective interest method is a relevant method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or 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 a 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 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 premium or discounts.

Changes in fair value of financial instruments at fair value through profit or loss are recorded in accordance with the policies described in Note 2(b) to the financial statements.

ii. Dividends and distributions

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income.

Trust distributions are recognised on an entitlement basis.

f. Expenses

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

Ordinary expenses cover certain expenses such as trustee fees, formation costs, administrator's fee, custodian's fee and audit fees.

g. Income tax

Under 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.

h. Distributions

The Fund may distribute its distributable income, in accordance with the Trust deed, to unit holders by cash or reinvestment. The distributions are recognised in the statement of changes in equity.

i. 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 period 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 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.

2 Summary of material accounting policies (continued)

j. Receivables

Receivables may include amounts for interest, dividends and trust distributions. 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.

k. Payables

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

A separate distributions payable is recognised in the statement of financial position.

l. Applications and redemptions

The Fund is an illiquid close-ended unlisted Australian unregistered managed investment scheme and is not subject to redemptions and further applications. The Fund, subject to the provisions of the Information Memorandum, may allow transfers of units.

m. 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.

n. Use of estimates and judgements

The Fund makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities within the current period and next financial period. 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 years effected.

Certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. 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 the impairment model has not materially impacted the Fund.

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 please refer to Note 3 to the financial statements.

o. Rounding of amounts

Amounts in the Directors' report have been rounded to the nearest thousand dollars, unless otherwise indicated.

p. Comparative period

The Fund was established on 2 August 2023 and commenced operations on 1 January 2024. The reporting period covers the period 2 August 2023 to 31 December 2024, hence there is no comparative information.

3. 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 4)

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

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. Valuation using level 2 inputs

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all material inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques using observable inputs used to value financial instruments include:

- Investments in unlisted unit trusts are valued at the redemption price per unit as reported by the Underlying Fund's investment manager

b. Valuation using level 3 inputs

The fair value of financial instruments that are determined using valuation techniques that rely on material inputs that are not observable are included in level 3 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.

The Fund's investment in the Master Fund is recorded at the net asset value as reported by Ares Asia Direct Lending GP Ltd, the General Partner of the Master Fund. The Fund makes adjustments to the redemption value based on considerations such as the liquidity of the Limited Partnership or its underlying investment, or any restrictions on redemptions and the basis of accounting.

c. Recognised fair value measurements

The table below presents the Fund's financial assets measured and recognised at fair value as at 31 December 2024:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 31 December 2024				
Financial assets				
Unlisted funds	-	5,069	10,569	15,638
Total financial assets	-	5,069	10,569	15,638

3. Fair value measurement (continued)

d. Transfer between levels

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 at the end of the reporting period.

e. Fair value measurements using material unobservable inputs (level 3)

	Investment in Master Fund \$'000
Opening balance - 2 August 2023	-
Purchases	8,554
Gains/(losses) recognised in the statement of comprehensive income	2,015
Closing balance - 31 December 2024	10,569

i. Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in the level 3 fair value measurements. See Note 4(b) for the valuation techniques adopted.

Description	Fair value \$'000	Unobservable inputs	Range of inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
As at 31 December 2024				
Investment in Master Fund	10,569	Net Asset Value	N/A	Direct

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.

f. Financial instruments not carried at fair value

The carrying values of receivables and payables approximate their fair values due to their short-term nature.

4. Financial assets at fair value through profit or loss

	As at 31 December 2024 \$'000
Unlisted funds	15,638
Total financial assets at fair value through profit or loss	15,638

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in Note 3 to the financial statements.

5. Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangement.

The Fund considers all investments in managed investment schemes (the "Schemes") to be structured entities. The Fund invests in Schemes for the purpose of capital appreciation and/or earning investment income.

The exposure to investments in unrelated Schemes at fair value is disclosed in the following table:

	Fair value of investment As at 31 December 2024 \$'000
Unlisted funds:	
Ares Global Credit Income Fund	5,069
Ares Asia Direct Lending LP	10,569
Total unrelated Schemes	15,638

The fair value of the Schemes is included in financial assets at fair value through profit or loss in the statement of financial position.

The Fund's maximum exposure to loss from its interest in the Schemes is equal to the fair value of its investments in the Schemes as there are no off-balance sheet exposures relating to any of the Schemes. Once the Fund has disposed of its units in a Scheme, it ceases to be exposed to any risk from that Scheme.

During the period ended 2 August 2023 to 31 December 2024, total gains/(losses) incurred on investments in the Schemes were \$1,947,803. The Fund also earned distribution income of \$1,135,841 as a result of its interests in the Schemes.

6. Net assets attributable to unit holders - equity

Under AASB 132 *Financial Instruments Presentation* puttable financial instruments are classified as equity where certain criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions. The Fund's units are classified as equity as they 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 period were as follows:

	For the period 2 August 2023 to 31 December 2024 Units '000	For the period 2 August 2023 to 31 December 2024 \$'000
Opening balance	-	-
Applications	2,052	20,517
Distributions paid	-	(1,020)
Profit/(loss) for the period	-	3,024
Closing balance	2,052	22,521

As stipulated within the Fund's Trust Deed, each unit represents a right to an individual unit in the Fund and does not extend to a right to the underlying assets of the Fund.

There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Capital risk management

The Fund considers its net assets attributable to unit holders as capital which is classified as equity.

7. Distributions to unit holders

The distributions declared during the period were as follows:

	For the period 2 August 2023 to 31 December 2024 \$'000	For the period 2 August 2023 to 31 December 2024 CPU
March	403	19.6394
June	331	16.1306
September	286	13.9376
Total distributions	1,020	49.7076

8. Cash and cash equivalents

	As at 31 December 2024 \$'000
Cash at bank	6,610
Total cash and cash equivalents	6,610

9. Receivables

	As at 31 December 2024 \$'000
GST receivable	21
Management fee and ordinary expenses reimbursement receivable	130
Total receivables	151

10. Payables

	As at 31 December 2024 \$'000
Ordinary expenses payable	84
Other payables	63
Total payables	147

11. Remuneration of auditors

During the period the following fees were paid or payable for services provided by the auditors of the Fund:

	For the period 2 August 2023 to 31 December 2024 \$
Ernst & Young	
<i>Audit and other assurance services</i>	
Audit and review of financial statements	22,660
Total remuneration for audit and other assurance services	22,660
<i>Taxation services</i>	
Tax compliance services	9,200
Total remuneration for taxation services	9,200
Total remuneration of Ernst & Young	31,860

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

12. Other expenses

	For the period 2 August 2023 to 31 December 2024 \$'000
Commission & other charges	309
Total other expenses	309

13. Related party transactions

The Trustee of Ares Australian Direct Lending Fund (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 Trustee has contracted services to Ares Management Asia (Australia) Pty Ltd to act as Investment Manager for the Fund and Apex Fund Services Pty Ltd (an Apex Group Company) to act as Custodian, Administrator and Registrar 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 period 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	(resigned 9 October 2024)
Mary A O'Connor	
David B Warren	
Andrew P Godfrey	(appointed 1 May 2024)
Johanna E Platt	(appointed 9 October 2024)

ii. Trustee

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

iii. Other key management personnel

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

b. Transactions with key management personnel

There were no transactions with key management personnel during the reporting period.

c. Key management personnel unit holdings

Key management personnel did not hold units in the Fund as at 31 December 2024.

d. Key management personnel

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 or their personally related entities at any time during the reporting period.

13. Related party transactions (continued)

e. Key management personnel loans

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.

f. Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving management personnel's interests existing at period end.

g. Trustees fees, Investment Manager's fees and other transactions

Under the terms of the Fund's Constitution and Information Memorandum for the Fund, the Trustee and the Investment Manager are entitled to receive management fees. The Investment Manager is also entitled to a performance fee.

The transactions during the period and amounts payable as at period end between the Fund, the Trustee and the Investment Manager were as follows:

	For the period 2 August 2023 to 31 December 2024 \$
Management fees for the period	55,462
Management fee and ordinary expenses reimbursement for the period	184,987
Management fee and ordinary expenses reimbursement receivable at period end	129,525
Ordinary expenses payable at period end	68,516

Equity Trustees Limited earned \$48,716 for Trustee services provided to the Fund paid from ordinary expenses.

For Information on how management fees and performance fees are calculated please refer to the Fund's Information Memorandum.

Ordinary expense reimbursements represent monies put into the Fund to ensure that the Fund's overall ordinary expenses remain within that disclosed in the Information Memorandum.

14. Events occurring after the reporting period

No significant events have occurred since the end of the period which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 31 December 2024 or on the results and cash flows of the Fund for the period ended on that date.

15. Contingent assets and liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 31 December 2024.

Trustee's declaration

In the opinion of the directors of the Trustee:

- (a) The financial statements and notes set out on pages 5 to 20 are in accordance with the Australian Accounting Standards (including interpretations), including:
 - i. complying with Australian Accounting Standards, and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the Fund's financial position as at 31 December 2024 and of its performance for the financial 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.

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
Directors

Melbourne
11 April 2025



**Shape the future
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Independent auditor's report to the unit holders of Ares Australian Direct Lending Fund

Opinion

We have audited the financial report of Ares Australian Direct Lending Fund, which comprises the statement of financial position as at 31 December 2024, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from 2 August 2023 to 31 December 2024, notes to the financial statements, including material accounting policy information, and the directors' declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Fund as at 31 December 2024, and its financial performance and its cash flow for the period 2 August 2023 to 31 December 2024, in accordance with Australian Accounting Standards - Simplified Disclosures and the Trust Deed.

Basis for Opinion

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

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

Information other than the Financial Report and Auditor's Report Thereon

The Directors of Equity Trustees Limited (the Trustee) 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, 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 of the Trustee for the Financial Report

The Directors of the Trustee are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Simplified Disclosures and the Trust Deed and for such internal control as the Directors of the Trustee 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 of the Trustee 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 of the Trustee 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 skepticism 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 of the Trustee.
- ▶ Conclude on the appropriateness of the directors of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.



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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the Trustee 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.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive, flowing script.

Ernst & Young
Sydney
11 April 2025