

# **Federation Education Real Estate Investment Trust and its controlled entities**

ARSN 645 478 495

## **Consolidated annual report For the year ended 30 June 2024**

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This annual report covers Federation Education Real Estate Investment Trust and its controlled entities.

The Responsible Entity of Federation Education Real Estate Investment Trust 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 Education Real Estate Investment Trust (the "Fund"), present their report together with the consolidated financial statements of the Fund and its controlled entities (the "Group") for the year ended 30 June 2024.

### **Principal activities**

Until its investment activities terminated from 30 June 2024, the Group invested in education related real estate and growing operating companies that meet a social and economic need in accordance with the provisions of the Fund's Constitution and the Information Memorandum.

The Group did not have any employees during the year.

Apart from the decision to terminate the Fund, there were no other 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 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 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**

These are the final financial statements for the Fund.

During the year, the Group continued to divest its funds in accordance with the provisions of the relevant constitutions and with the Information Memorandum.

## Directors' report (continued)

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

|   | Year ended       |                 |
|---|------------------|-----------------|
|   | 30 June<br>2024  | 30 June<br>2023 |
| Profit/(loss) before finance costs attributable to unit holders for the year (\$) | <b>(93,156)</b>  | (569,458)       |
| Distributions paid and payable (\$)   | <b>7,395,873</b> | 12,299,799      |
| Distributions (cents per unit)  | <b>23.22</b>     | 38.61           |

## Significant changes in the state of affairs

At the reporting date, the Group had divested its portfolio and expects the final distribution will be paid to unit holders in October 2024.

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 year ended 30 June 2024.

## Matters subsequent to the end of the financial year

The Fund's operations were terminated on the disposal of the Fund's assets and the final distribution will be paid to the unitholders in October 2024.

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

- i. the operations of the Fund;
- ii. the results of those operations; or
- iii. the state of affairs of the Fund.

## Likely developments and expected results of operations

Until its investment activities terminated from 30 June 2024, the Group 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 relevant constitutions.

The results of the Group's operations will be affected by a number of factors, including the performance of investment markets in which the Group 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 Group in regards 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.

## Directors' report (continued)

### 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 Group against a liability incurred as auditor.

### Interests in the Group

The movement in units on issue in the Group during the year is disclosed in Note 4 to the consolidated financial statements.

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

### Environmental regulation

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

### Rounding of amounts to the nearest dollar

Amounts in the Directors' report have been rounded to the nearest dollar in accordance with *ASIC Corporations (Rounding in Financial/Directors' 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.



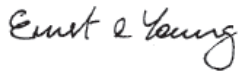
Andrew P Godfrey  
Director

Melbourne  
25 September 2024

## Auditor's Independence Declaration to the Directors of Equity Trustees Limited as Responsible Entity for Federation Education Real Estate Investment Trust and its controlled entities

As lead auditor for the audit of the financial report of Federation Education Real Estate Investment Trust and its controlled entities 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

Federation Education Real Estate Investment Trust and its controlled entities  
Consolidated statement of comprehensive income  
For the year ended 30 June 2024

## Consolidated statement of comprehensive income

|   | Note | Year ended       |                  |
|---|------|------------------|------------------|
|   |      | 30 June<br>2024  | 30 June<br>2023  |
|   |      | \$               | \$               |
| <b>Income</b>   |      |                  |                  |
| Interest income   |      | 136,079          | 219,255          |
| Rental income   |      | -                | 253,442          |
| Net gains/(losses) on financial instruments at fair value through profit or loss    |      | 1,296,445        | 121,486          |
| Other income  |      | -                | 2,320            |
| <b>Total income/(loss)</b>  |      | <b>1,432,524</b> | <b>596,503</b>   |
| <b>Expenses</b>   |      |                  |                  |
| Management fees and costs   | 12   | 134,352          | 252,745          |
| Performance fees/(reversal of performance fees accruals)                            | 12   | 54,811           | (220,231)        |
| Professional fees   |      | 104,535          | 248,009          |
| Borrowing costs   |      | 116,466          | 369,104          |
| Legal fees  |      | 20,774           | 78,911           |
| Loan interest expense   |      | 702,877          | 162,052          |
| Property related expenses and outgoings   |      | 14,875           | 217,226          |
| Other expenses  |      | 376,990          | 58,145           |
| <b>Total expenses</b>   |      | <b>1,525,680</b> | <b>1,165,961</b> |
| <b>Profit/(loss) before finance costs attributable to unit holders for the year</b> |      | <b>(93,156)</b>  | <b>(569,458)</b> |
| <b>Finance costs attributable to unit holders</b>                                   |      |                  |                  |
| Distribution to unit holders  | 5    | (7,395,873)      | (12,299,799)     |
| (Increase)/decrease in net assets attributable to unit holders                      |      | 7,489,029        | 12,869,257       |
| <b>Total finance costs attributable to unit holders</b>                             |      | <b>93,156</b>    | <b>569,458</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 consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## Consolidated statement of financial position

|  | Note   | As at           |                   |
|--|--------|-----------------|-------------------|
|  |        | 30 June<br>2024 | 30 June<br>2023   |
|  |        | \$              | \$                |
| <b>Assets</b>  |        |                 |                   |
| Cash and cash equivalents  | 6      | 522,764         | 913,771           |
| Deposits   |        | -               | 1,000             |
| Subscription Receivable  |        | -               | 300               |
| Prepayments  |        | -               | 10,891            |
| Receivables  | 8      | 27,213          | 121,682           |
| Warranty deposits  | 10     | -               | 176,600           |
| Investments  | 14 (a) | -               | 10,231,279        |
| Loan receivable  |        | -               | 1,466,324         |
| <b>Total assets</b>  |        | <b>549,977</b>  | <b>12,921,847</b> |
| <b>Liabilities</b>   |        |                 |                   |
| Distributions payable  | 5      | 199,387         | -                 |
| Payables   | 9      | 350,590         | 447,294           |
| Due to related parties   | 12(f)  | -               | 1,701,957         |
| Borrowings   | 13     | -               | 3,283,357         |
| <b>Total liabilities (excluding net assets attributable to unit holders)</b> |        | <b>549,977</b>  | <b>5,432,608</b>  |
| <b>Net assets attributable to unit holders – liability</b>                   | 4      | <b>-</b>        | <b>7,489,239</b>  |

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

## Consolidated statement of changes in equity

|  | Year ended            |                       |
|--|-----------------------|-----------------------|
|  | 30 June<br>2024<br>\$ | 30 June<br>2023<br>\$ |
| <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 consolidated statement of changes in equity should be read in conjunction with the accompanying notes with reference to Note 4.*

## Consolidated statement of cash flows

|  | Note | Year ended          |                     |
|--|------|---------------------|---------------------|
|  |      | 30 June<br>2024     | 30 June<br>2023     |
|  |      | \$                  | \$                  |
| <b>Cash flows from operating activities</b>                      |      |                     |                     |
| Interest income received from financial assets at amortised cost |      | 136,079             | 719,255             |
| Rental income received   |      | -                   | 253,442             |
| Transfers from/(to) related parties                              |      | (1,701,957)         | (697,451)           |
| Proceeds from sale of investments                                |      | 14,141,440          | 16,421,281          |
| Payment for property under development                           |      | (2,613,716)         | (5,377,575)         |
| Other income received  |      | -                   | 2,320               |
| Loans received   |      | 1,466,324           | 924,981             |
| Deposits   |      | 1,000               | -                   |
| Management fees and costs paid                                   |      | (141,157)           | (244,102)           |
| Legal fees paid  |      | (20,774)            | (78,911)            |
| Professional fees paid   |      | (104,535)           | (248,009)           |
| Borrowing costs paid   |      | (116,466)           | (314,104)           |
| Property related expenses and outgoings                          |      | (14,875)            | (217,226)           |
| Performance fees paid  |      | (414,779)           | (74,201)            |
| Loan interest expenses paid                                      |      | (702,877)           | (162,052)           |
| GST (paid)/refunded  |      | 364,538             | 277,055             |
| Warranty deposits  |      | 176,600             | 930,166             |
| Other expenses paid  |      | (366,099)           | (144,289)           |
| <b>Net cash inflow/(outflow) from operating activities</b>       | 7    | <b>10,088,746</b>   | <b>11,970,580</b>   |
| <b>Cash flows from financing activities</b>                      |      |                     |                     |
| Payment of borrowings  |      | (3,283,357)         | (1,200,687)         |
| Proceeds from applications by unit holders                       |      | 300                 | (90)                |
| Payments for redemptions by unit holders                         |      | (210)               | -                   |
| Distributions to unit holders                                    |      | (7,196,486)         | (12,332,322)        |
| <b>Net cash inflow/(outflow) from financing activities</b>       |      | <b>(10,479,753)</b> | <b>(13,533,099)</b> |
| <b>Net increase/(decrease) in cash and cash equivalents</b>      |      | <b>(391,007)</b>    | <b>(1,562,519)</b>  |
| Cash and cash equivalents at the beginning of the year           |      | 913,771             | 2,476,290           |
| <b>Cash and cash equivalents at the end of the year</b>          | 6    | <b>522,764</b>      | <b>913,771</b>      |

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

## Notes to the consolidated financial statements

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## **1. General information**

These consolidated financial statements cover Federation Education Real Estate Investment Trust ("the Fund") and its controlled entities (the "Group"). The Fund was constituted on 11 December 2018. The Fund terminated its operations on 30 June 2024 when all assets of the Fund were realised.

Investors are issued units in accordance with the provisions of the Fund's Constitution and the Information Memorandum.

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 consolidated financial statements are presented in the Australian currency unless otherwise noted.

Until its investment activities terminated from 30 June 2024, the Group invested in education related to real estate and growing operating companies that meet a social and economic need in accordance with the provisions of the Fund's Constitution and the Information Memorandum.

The consolidated 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 consolidated financial statements.

## **2. Summary of material accounting policies**

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

### **a. Basis of preparation**

These consolidated 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 consolidated financial statements.

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

At the reporting date, the Fund had divested its portfolio and expects the Fund to be fully wound up during the 2024 calendar year. The going concern basis of preparation is no longer appropriate and the consolidated financial statements have been prepared on a liquidation basis. The liquidation basis means assets have been written down to the lower of their carrying amounts and net realisable value and additional liabilities have been recognised to the extent there was a present obligation at the reporting date.

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period; or
- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period; or

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

### a. Basis of preparation (continued)

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

The Group 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 consolidated 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 consolidated financial statements.

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.

### b. Principles of consolidation

The Group is comprised of Federation Education Real Estate Investment Trust and its controlled entities.

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at on 30 June 2024. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

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

### b. Principles of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date it ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The consolidated financial statements of the Group include the financial statements of the parent and subsidiaries.

The Group's investment in subsidiaries are listed in the following table. All subsidiaries are domiciled in Australia:

| Subsidiary   | % Equity interest        |                          |
|--|--------------------------|--------------------------|
|  | As at<br>30 June<br>2024 | As at<br>30 June<br>2023 |
| Federation Alternative Assets Real Estate Trust 2A1  | 100                      | 100                      |
| Federation Alternative Assets Real Estate Trust 2A2  | 100                      | 100                      |
| Federation Alternative Assets Real Estate Trust 2A3  | 100                      | 100                      |
| Federation Alternative Assets Real Estate Trust 2A4  | 100                      | 100                      |
| Federation Alternative Assets Real Estate Trust 2A5  | 100                      | 100                      |
| Federation Alternative Assets Real Estate Trust 2A6  | 100                      | 100                      |
| Federation Alternative Assets Real Estate Trust 2A7  | 100                      | 100                      |
| Federation Alternative Assets Real Estate Trust 2A8  | 100                      | 100                      |
| Federation Alternative Assets Real Estate Trust 2A10 | 100                      | 100                      |

Intercompany transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

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

### c. 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'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, deposits, prepaid borrowing costs, interest receivable, warranty deposits, loan receivable 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.

For investment properties, the Fund's policy is for the Responsible Entity to evaluate information about these financial instruments on a fair value basis together with other related financial information. For further information regarding investment properties, refer to Note 2(e).

- 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 (borrowings, payables and due to related parties).

#### 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.

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 liabilities 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 consolidated 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 consolidated statement of comprehensive income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or liabilities at fair value through profit or loss' categories are presented in the consolidated statement of comprehensive income in the period in which they arise. Interest income on financial assets at fair value is presented in the consolidated statement of comprehensive income within interest income received from financial assets at amortised cost.

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

### **c. Financial instruments (continued)**

#### *iii. Measurement (Continued)*

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured according to their classification.

#### *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 re-organisation, 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 consolidated 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 consolidated statement of comprehensive income.

#### *v. Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the consolidated 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 consolidated statement of financial position.

### **d. Leases**

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income. Lease incentives that are paid or payable to the lessee are deducted from lease payments. Accordingly, tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Group is reasonably certain that the tenant will exercise that option.

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

### **e. Investment properties**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time that the cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market and property specific conditions at the balance date. Fair value is the amount at which the investment property could be exchanged between knowledgeable, willing parties in an orderly arm's length transaction. A willing seller is neither a forced seller nor one prepared to sell at a price not considered reasonable in the market.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including:

- Capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence;
- current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- discounted cash flow projections based on reliable estimates of future cash flows.

Gains or losses arising from changes in the fair value of investment properties are recognised in the consolidated statement of comprehensive income in the year in which they arise.

Where the Group and the Fund dispose of an investment property at fair value in an arm's length transaction, the fair value immediately prior to the sale is adjusted to the transaction price, with a corresponding adjustment recorded in profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of development with a view to sale.

The fair value of investment properties recorded in the consolidated statement of financial position may include the cost of acquisition, additions, refurbishments, improvements, lease incentives, leasing costs and assets relating to fixed increases in operating lease rentals in future years.

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent valuations. The directors determine a property's value within a range of reasonable fair value estimates. Fair value is determined using a long term investment period. Specific circumstances of the owner are not taken into account.

Under AASB 140 *Investment Property*, investment properties, including any plant and equipment, are not subject to depreciation. However, depreciation allowances in respect of certain buildings, plant and equipment are currently available to investors for taxation purposes

### **f. Net assets attributable to unit holders**

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

### **g. Cash and cash equivalents**

For the purpose of presentation in the consolidated 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. Bank overdrafts are shown within borrowings in the consolidated statement of financial position.

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)

### h. 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.

Interest income on financial assets at fair value through profit or loss is also recognised in the consolidated statement of comprehensive income. 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(c) to the consolidated 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 consolidated statement of comprehensive income.

Fund distributions are recognised on an entitlement basis.

#### iii. *Rental income*

Rental income is earned from the leases of the investment properties in Australia to third parties. Rental income is recognised in the consolidated statement of comprehensive income on a straight line basis in accordance with IFRS 16 Leases. Rent receivables are recognised at their original invoiced value except where the time value of money is material, in which case rent receivables are recognised at fair value and subsequently measured at amortised cost.

### i. Expenses

#### i. *Property related expenses*

Property expenses include rates, taxes, repairs and other property outgoings incurred in relation to investment properties. Property expenses are recorded on an accrual basis.

#### ii. *Management fees and costs*

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

#### iii. *Finance costs*

Finance costs include interest and the amortisation of other costs incurred in respect of obtaining finance. Finance costs associated with the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset during the year that is required to complete and prepare the asset for its intended use. Borrowing costs not associated with qualifying assets are recognised as an expense when incurred. None of the Fund's assets are considered qualifying assets for the capitalisation of finance costs. Other costs incurred in respect of obtaining finance, including loan establishment fees, are deferred and expensed over the term of the respective loan facility.

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

### i. Expenses (continued)

#### iv. Other expenses

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

### j. Income tax

The Fund has been classified as a Passive Fund.

The Responsible Entity intends that a Passive Fund elects to be treated as an Attribution Managed Investment Trust (AMIT), subject to a Passive Fund satisfying the relevant eligibility requirements. Under current legislation, the Passive Fund is not subject to income tax provided it attributes the entirety of the taxable income to its unit holders.

### k. Distributions to unit holders

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 consolidated statement of comprehensive income as finance costs attributable to unit holders.

### l. 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 consolidated statement of comprehensive income as finance costs attributable to unit holders.

### m. Foreign currency translation

#### i. Functional and presentation currency

Balances included in the Fund's consolidated 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 consolidated 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.

### n. Receivables

Receivables of the Fund include amounts for GST receivable and interest. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

### o. Payables

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

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

### p. Applications and redemptions

Applications received for units in the Fund may be recorded net of any entry fees payable prior to the issue of units in the Fund. The Fund is an illiquid close-ended registered managed investment scheme and is not subject to redemptions.

### q. 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 consolidated 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 consolidated statement of financial position. Cash flows relating to GST are included in the consolidated statement of cash flows on a gross basis.

### r. Use of estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial period. Estimates 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.

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 Group 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. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

### s. Rounding of amounts

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

### t. 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 Group'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 Group's overall risk management programme focuses on ensuring compliance with the Group's Information Memorandum and the investment guidelines of the Group. It also seeks to maximise the returns derived for the level of risk to which the Group is exposed and seeks to minimise potential adverse effects on the Group's financial performance. The Group's policy allows it to use derivative financial instruments in managing its financial risks.

### 3. Financial risk management (continued)

The investments of the Group, 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 Group, consistent with those stated in the Information Memorandum.

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

#### a. Market risk

##### i. Price risk

The Group is exposed to price risk on its direct investment in investment properties in Australia. The Group has a significant concentration of risk arising from its exclusive investment in the Australia property market.

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

As at 30 June 2024, the Fund is not exposed to price risks as the Fund has divested all of its assets. The table at Note 3(b) summarises the sensitivities of the Group's assets and liabilities to price risk. The analysis is based on the reasonably possible shift that the investment portfolio in which the Group invests moves by +/- 10% (2023+/- 10%).

##### ii. Foreign exchange risk

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

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

Interest rate risk management is undertaken by maintaining as close to a fully invested position as possible thus limiting the exposure of the Group to interest rate risk.

The Group's interest bearing financial assets expose them to risks associated with the effects of fluctuation in the prevailing levels of market interest rate on its financial positions and cash flows. The impact of interest rate risk on net assets attributable to unit holders and operating profit are considered immaterial to the Group.

#### b. Summarised sensitivity analysis

As at 30 June 2024, the Fund is not exposed to price risks as the Fund has divested all of its assets. The following table summarises the sensitivity of the Group'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 Group'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 Group invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

|                           | Impact on net assets<br>attributable to unit holders |             |
|---------------------------|--|-------------|
|                           | Price risk   |             |
|                           | +10%   | -10%        |
|                           | \$   | \$          |
| <b>As at 30 June 2024</b> | -  | -           |
| As at 30 June 2023        | 1,023,128  | (1,023,128) |

### 3. Financial risk management (continued)

#### c. Credit risk

The Group 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 Group.

The Group 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 Group is exposed, arises from cash and cash equivalents, receivables and loans 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, receivables and loans receivable.

The Group 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 Group.

##### *i. Cash and cash equivalents*

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of AA or higher.

##### *ii. Other*

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

##### *iii. 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 Group 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.

The Group is illiquid and there are no redemptions hence the Group has little liquidity risk.

#### 4. 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:

|   | Units             | \$           |
|---|-------------------|--------------|
| Beginning balance – 1 July 2022                                 | 31,857,810        | 20,358,496   |
| Applications  | -                 | -            |
| Distributions   | -                 | (12,299,799) |
| Profit/(loss) before finance costs attributable to unit holders | -                 | (569,458)    |
| Closing balance – 30 June 2023                                  | 31,857,810        | 7,489,239    |
| Redemptions   | -                 | (210)        |
| Distributions   | -                 | (7,395,873)  |
| Profit/(loss) before finance costs attributable to unit holders | -                 | (93,156)     |
| <b>Closing balance – 30 June 2024</b>                           | <b>31,857,810</b> | <b>-</b>     |

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

The Fund had issued 10 initial units ("Initial Units") with a par value of \$1 to Federation Asset Management Holdings Pty Ltd, the Parent Company of the Investment Manager, Federation Asset Management Pty Ltd. The Parent Company of the Investment Manager, Federation Asset Management Pty Ltd. The holders of Initial Units will not have an interest or be entitled to a share in any distribution. The holders of Initial Units are entitled to receive notice of and attend general meetings of ordinary members but have no voting rights. On winding up of the Fund, the holders of Units is only entitled to payment of the price paid by the member to acquire the Initial Units.

#### 5. Distributions to unit holders

The distributions declared during the year were as follows:

|                                       | Year ended            |                        | Year ended            |                        |
|---------------------------------------|-----------------------|------------------------|-----------------------|------------------------|
|                                       | 30 June<br>2024<br>\$ | 30 June<br>2024<br>CPU | 30 June<br>2023<br>\$ | 30 June<br>2023<br>CPU |
| <b>Distributions – Ordinary units</b> |                       |                        |                       |                        |
| September                             | -                     | -                      | 1,500,000             | 4.71                   |
| December                              | -                     | -                      | 3,504,359             | 11.00                  |
| March                                 | 7,196,485             | 22.59                  | 7,295,440             | 22.90                  |
| June (payable)                        | 199,387               | 0.63                   | -                     | -                      |
| <b>Total distributions</b>            | <b>7,395,873</b>      |                        | <b>12,299,799</b>     |                        |

#### 6. Cash and cash equivalents

|  | As at                 |                       |
|--|-----------------------|-----------------------|
|  | 30 June<br>2024<br>\$ | 30 June<br>2023<br>\$ |
| Cash at bank                           | 522,764               | 913,771               |
| <b>Total cash and cash equivalents</b> | <b>522,764</b>        | <b>913,771</b>        |

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

|  | Year ended<br>30 June<br>2024<br>\$ | 30 June<br>2023<br>\$ |
|--|-------------------------------------|-----------------------|
| Profit/(loss) before finance cost attributable to unit holders | (93,156)                            | (569,458)             |
| Net change in receivables                                      | 94,469                              | 954,311               |
| Net change in amounts due to related parties                   | (1,701,957)                         | (1,236,451)           |
| Net change in payables (excluding distribution payable)        | (96,704)                            | (3,298)               |
| Net change in investments                                      | 10,231,279                          | 10,926,220            |
| Net change in borrowing costs                                  | -                                   | 55,000                |
| Net change in loans  | 1,466,324                           | 924,981               |
| Net change in prepayments                                      | 10,891                              | (10,891)              |
| Net change in deposits   | 1,000                               | -                     |
| Net change in warranty deposits                                | 176,600                             | 930,166               |
| <b>Net cash inflow/(outflow) from operating activities</b>     | <b>10,088,746</b>                   | <b>11,970,580</b>     |

### Changes in liabilities arising from financing activities

| Account                    | Beginning<br>balance<br>\$ | Cash<br>received /<br>paid on<br>borrowings<br>and<br>distributions<br>\$ | Cash received<br>on<br>subscriptions<br>\$ | Subscriptions<br>\$ | Distributions<br>declared<br>\$ | Ending<br>balance<br>\$ |
|----------------------------|----------------------------|---|--|---------------------|---------------------------------|-------------------------|
| <b>As at 30 June 2024</b>  |                            |   |  |                     |                                 |                         |
| Subscription receivable    | 300                        | -   | (300)                                      | -                   | -                               | -                       |
| Borrowings                 | 3,283,357                  | (3,283,357)   | -  | -                   | -                               | -                       |
| Distributions payable      | -                          | (7,395,873)   | -  | -                   | 7,395,873                       | -                       |
| <b>As at 30 June 2023:</b> |                            |   |  |                     |                                 |                         |
| Subscription receivable    | 210                        | -   | 90   | -                   | -                               | 300                     |
| Borrowings                 | 4,484,044                  | (1,200,687)   | -  | -                   | -                               | 3,283,357               |
| Distributions payable      | 32,523                     | (12,332,322)  | -  | -                   | 12,299,799                      | -                       |

## 8. Receivables

|                          | As at<br>30 June<br>2024<br>\$ | 30 June<br>2023<br>\$ |
|--------------------------|--------------------------------|-----------------------|
| GST receivable           | 27,213                         | 118,369               |
| Other receivables        | -                              | 3,313                 |
| <b>Total receivables</b> | <b>27,213</b>                  | <b>121,682</b>        |

## 9. Payables

|                                   | 30 June<br>2024<br>\$ | As at<br>30 June<br>2023<br>\$ |
|-----------------------------------|-----------------------|--------------------------------|
| Management fees and costs payable | 20,064                | 27,986                         |
| Other payable                     | 11,117                | 369,968                        |
| Tax payable                       | 319,409               | 49,340                         |
| <b>Total payables</b>             | <b>350,590</b>        | <b>447,294</b>                 |

## 10. Warranty deposits

During the year, the group sold investment properties. As part of these sales, the Group made certain warranties to the buyers. Amounts were paid to lawyer's trust accounts in order to ensure the Group contractually meet the requirements of these warranties and these amounts summarised in the table below have been classified as warranty deposits in the consolidated statement of financial position.

|                                | 30 June<br>2024<br>\$ | As at<br>30 June<br>2023<br>\$ |
|--------------------------------|-----------------------|--------------------------------|
| Warranty deposits              | -                     | 176,600                        |
| <b>Total warranty deposits</b> | <b>-</b>              | <b>176,600</b>                 |

## 11. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditors of the Fund.

|   | 30 June<br>2024<br>\$ | Year ended<br>30 June<br>2023<br>\$ |
|---|-----------------------|-------------------------------------|
| <b>Ernst &amp; Young</b>                              |                       |                                     |
| <i>Audit and other assurance services</i>             |                       |                                     |
| Audit and review of consolidated financial statements | 29,466                | 28,199                              |
| <i>Taxation services</i>                              |                       |                                     |
| Tax compliance services                               | 71,022                | 11,757                              |
| <b>Total remuneration of Ernst &amp; Young</b>        | <b>100,488</b>        | <b>39,956</b>                       |
| <b>PricewaterhouseCoopers</b>                         |                       |                                     |
| <i>Other services</i>                                 |                       |                                     |
| Audit of compliance plan                              | 2,400                 | 2,346                               |
| <b>Total remuneration of PricewaterhouseCoopers</b>   | <b>2,400</b>          | <b>2,346</b>                        |

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

## **12. Related party transactions**

As at 30 June 2021, the Fund issued 10 Initial Units with a par value of \$1 to Federation Asset Management Holdings Pty Ltd, the Parent Company of the Investment Manager, Federation Asset Management Pty Ltd. The holders of Initial Units will not have an interest or be entitled to a share in any distribution. The holders of Initial Units are entitled to receive notice of and attend general meetings of ordinary members but have no voting rights. On winding up of the Fund, the holder of Initial Units is only entitled to payment of the price paid by the member to acquire the Initial Units.

The performance fee accrues daily and is payable as soon as practicable after the receipt of distributions whether from realisation or otherwise of from or in respect of each underlying investment. To achieve a performance fee, the investment must achieve a hurdle return based on an IRR of 10.0% after investors have received an amount equal to their aggregate contributions. The Investment Manager is entitled to 20% of the performance fee after the hurdle rate and initial capital is paid to investors.

The base management fee payable to the Investment Manager is 0.72% per annum. This is calculated on the gross asset value of the Fund and payable quarterly in advance.

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 Ltd to act as Administrator 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.

### **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 period.

## 12. Related party transactions (continued)

### d. Transactions with key personnel

There were no transactions with key management personnel during the year (2023: nil).

### e. Key management personnel unit holdings

Key management personnel did not hold units in the Fund as at 30 June 2024 (30 June 2023: nil).

### f. Other transactions within the Group

Due to / from affiliates are comprised of payment or elimination transactions with respect to management, operating and transaction expenses paid on behalf of affiliates, obligations under the Fund Support Deed with Federation Asset Management, and funding that may be drawn in respect of its holding trusts. 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 to related parties of nil is payable to Federation Alternative Investments Trust 2, which pertains to amounts advanced for the acquisition of investment property (30 June 2023: \$1,701,957).

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

Under the terms of the Fund's Constitution and Information Memorandum for the Fund, the Responsible Entity and the Investment Manager are entitled to receive fees.

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<br>2024 | 30 June<br>2023 |
|   | \$              | \$              |
| Management fees and costs for the year                                | 134,352         | 134,600         |
| Performance fees/(reversal of performance fees accruals) for the year | 54,811          | (220,231)       |
| Management fees and costs payable at year end                         | 20,064          | 27,986          |
| Performance fees payable at year end                                  | -               | 369,968         |

For information on how Responsible Entity fees and management fees are calculated, please refer to the Fund's Information Memorandum.

### 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 (30 June 2023: nil).

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

## 12. Related party transactions (continued)

### h. Related party unit holdings (continued)

The Fund held investments in the following schemes which are also managed by Equity Trustees Limited or its related parties:

|                           | Fair value<br>of investment | Interest<br>held | Distributions<br>earned | Distributions<br>receivable | Units<br>acquired<br>during<br>the year | Units<br>disposed<br>during<br>the year |
|---------------------------|-----------------------------|------------------|-------------------------|-----------------------------|---|---|
|                           | \$                          | %                | \$                      | \$                          |   |   |
| <b>As at 30 June 2024</b> |                             |                  |                         |                             |   |   |
| FAI RE Trust 2A1          | -                           | 100.00%          | 237,470                 | -                           | -                                       | -                                       |
| FAI RE Trust 2A2          | -                           | 100.00%          | 233,776                 | -                           | -                                       | -                                       |
| FAI RE Trust 2A3          | -                           | 100.00%          | 572,406                 | -                           | -                                       | -                                       |
| FAI RE Trust 2A4          | -                           | 100.00%          | 1,026,123               | -                           | -                                       | -                                       |
| FAI RE Trust 2A5          | -                           | 100.00%          | 358,847                 | -                           | -                                       | -                                       |
| FAI RE Trust 2A6          | -                           | 100.00%          | 787,313                 | -                           | -                                       | -                                       |
| FAI RE Trust 2A7          | -                           | 100.00%          | 134,023                 | -                           | -                                       | -                                       |
| FAI RE Trust 2A8          | -                           | 100.00%          | 1,951,555               | -                           | -                                       | -                                       |
| FAI RE Trust 2A10         | -                           | 100.00%          | 570,849                 | -                           | -                                       | -                                       |
| <b>As at 30 June 2023</b> |                             |                  |                         |                             |   |   |
| FAI RE Trust 2A1          | 238,250                     | 100.00%          | -                       | -                           | -                                       | -                                       |
| FAI RE Trust 2A2          | 234,524                     | 100.00%          | -                       | -                           | -                                       | -                                       |
| FAI RE Trust 2A3          | 568,192                     | 100.00%          | -                       | -                           | -                                       | -                                       |
| FAI RE Trust 2A4          | 1,024,036                   | 100.00%          | -                       | -                           | -                                       | -                                       |
| FAI RE Trust 2A5          | 360,069                     | 100.00%          | -                       | -                           | -                                       | -                                       |
| FAI RE Trust 2A6          | 787,334                     | 100.00%          | -                       | -                           | -                                       | -                                       |
| FAI RE Trust 2A7          | 180,498                     | 100.00%          | 19,672                  | -                           | -                                       | -                                       |
| FAI RE Trust 2A8          | 1,767,764                   | 100.00%          | -                       | -                           | -                                       | -                                       |
| FAI RE Trust 2A10         | (34,655)                    | 100.00%          | -                       | -                           | -                                       | -                                       |

## 13. Interest bearing loans and borrowings

|                       | Effective interest<br>rate | Maturity         | 30 June<br>2024 | As at<br>30 June<br>2023 |
|-----------------------|----------------------------|------------------|-----------------|--------------------------|
|                       |                            |                  | \$              | \$                       |
| <b>Current</b>        |                            |                  |                 |                          |
| \$3,960,000 bank loan | BBSY+ margin               | 16 December 2023 | -               | 3,283,357                |
| <b>Total</b>          |                            |                  | -               | 3,283,357                |

The bank loans listed above are secured over Acacia Gardens, NSW.

## 14. Fair value measurement

### a. Fair value measurement – investment property and investment property under construction

Investment properties are measured initially at cost. Properties acquired to be developed and constructed are also held at cost which include costs of acquisition such as stamp duty and legal fees in addition to construction costs. Properties during construction are held at cost until such time that the fair value of those assets can be reliably measured. Over the course of construction, the assets will be assessed to determine the fair value in accordance with *AASB 140 Investment Property*. All investment properties are considered one class of asset. In accordance with *AASB 140, Investment Property*, changes in fair value are recognised in the consolidated statement of comprehensive income. The assessment of fair value will be based on Directors' and/or external valuations.

Any change between the valuation and cost at completion will be reflected in the consolidated statement of comprehensive income. Independent valuations are carried out at intervals of not more than three years.

The following valuation methodologies are used to determine fair value.

- i. Capitalisation of income valuation:* The capitalisation of income valuation method capitalises the current rent received, at a rate analysed from the most recent transactions of comparable property investments. The capitalisation rate used varies across properties. Valuations reflect, where appropriate, lease terms remaining, the relationship of current rent to the market rent, location, and prevailing investment market conditions.
- ii. Discounted cash flow:* The discounted cash flow method calculates a property's value by using projections of reliable estimates of future cash flows, derived from the term of any existing leases, and from external evidence such as current market rents for similar properties in the same area and condition, and using discount rates that reflect the current market assessments of the uncertainty in the amount and timing of cash flows specific to the asset.

All investment property are held in Australia.

| Property portfolio                    | As at        |                   |
|---------------------------------------|--------------|-------------------|
|                                       | 30 June 2024 | 30 June 2023      |
|                                       | \$           | \$                |
| Acacia Gardens, NSW                   | -            | 8,734,502         |
| Arthur Summervilles Road, Karalee QLD | -            | 1,496,777         |
| <b>Total</b>                          | <b>-</b>     | <b>10,231,279</b> |

### b. Fair value measurement – investment property under development

|   | As at        |                   |
|---|--------------|-------------------|
|   | 30 June 2024 | 30 June 2023      |
|   | \$           | \$                |
| Beginning balance   | 10,231,279   | 21,157,499        |
| Construction expenditure on owned property                                    | 2,613,715    | 5,367,969         |
| Development completed   | -            | (8,715,799)       |
| Sale of properties  | (14,141,440) | (7,699,480)       |
| Net gain/(loss) on financial instruments at fair value through profit or loss | 1,296,445    | 121,090           |
| <b>Closing balance</b>  | <b>-</b>     | <b>10,231,279</b> |

## 14. Fair value measurement (continued)

### b. Fair value measurement – investment property under development (continued)

As at 30 June 2024, no properties were carried at historical cost plus a proportion of anticipated valuation gain or loss in line with the valuation policy of the Fund (30 June 2023: One property).

### c. Operators who have leases to operate from the investment properties

As at 30 June 2024 the Fund did not own any operational childcare centres. The investment properties were being leased by Guardian Early Learning (Guardian), Eden Academy Early Learning (Eden) or Harmony Early Learning (Harmony). All are experienced childcare centre operators. The leases contained security in the form of a bank guarantee of three months with full corporate security.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Group would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties.

### d. Fair value hierarchy

There were no level 1 (quoted prices in active markets) or level 2 (significant observable inputs) in the measurement of fair value.

|                           | Significant unobservable inputs (level 3) | Total | Total gain/(loss) for the year in the consolidated statement of comprehensive income |
|---------------------------|---|-------|--|
|                           | \$  | \$    | \$   |
| <b>As at 30 June 2024</b> |   |       |  |
| Childcare centres         | -   | -     | 1,296,445  |
| <b>Total</b>              | -   | -     | 1,296,445  |

|                           | Significant unobservable inputs (level 3) | Total      | Total gain/(loss) for the year in the consolidated statement of comprehensive income |
|---------------------------|---|------------|--|
|                           | \$  | \$         | \$   |
| <b>As at 30 June 2023</b> |   |            |  |
| Childcare centres         | 10,231,279                                | 10,231,279 | 121,486  |
| <b>Total</b>              | 10,231,279                                | 10,231,279 | 121,486  |

### Level 3 investments roll forward

|   | Properties   | Total        |
|---|--------------|--------------|
|   | \$           | \$           |
| <b>As at 1 July 2023</b>  | 10,231,279   | 10,231,279   |
| Construction expenditure on owned property                                    | 2,613,715    | 2,613,715    |
| Development completed   | -            | -            |
| Sale of properties  | (14,141,440) | (13,239,364) |
| Net gain/(loss) on financial instruments at fair value through profit or loss | 1,296,445    | 394,370      |
| <b>As at 30 June 2024</b>   | -            | -            |

## 14. Fair value measurement (continued)

### d. Fair value hierarchy (continued)

#### Level 3 investments roll forward (continued)

|   | Properties<br>\$ | Total<br>\$ |
|---|------------------|-------------|
| As at 1 July 2022   | 21,157,499       | 21,157,499  |
| Construction expenditure on owned property                                    | 5,367,969        | 5,367,969   |
| Development completed   | (8,715,799)      | (8,715,799) |
| Sale of properties  | (7,699,480)      | (7,699,480) |
| Net gain/(loss) on financial instruments at fair value through profit or loss | 121,090          | 121,090     |
| As at 30 June 2023  | 10,231,279       | 10,231,279  |

#### Valuation techniques used to derive level 3 fair values

| Property                       | Fair value<br>30 June<br>2024<br>(\$) | Fair value<br>30 June<br>2023<br>(\$) | Valuation<br>technique   | Key<br>unobservable<br>inputs   | Range<br>(weighted avg.)<br>30 June<br>2024 | Range<br>(weighted avg.)<br>30 June<br>2023 |
|--------------------------------|---------------------------------------|---------------------------------------|--|---|---|---|
| <b>Acacia<br/>Gardens, NSW</b> | -                                     | 8,734,502                             | Recent<br>transaction<br>price<br>Historical<br>cost (Cost<br>incurred to<br>date) | % of<br>completion<br><br>Historical cost<br>(Cost incurred<br>to date) | N/A   | 80%   |
| <b>Karalee, QLD</b>            | -                                     | 1,496,777                             |  |   | N/A   | N/A   |

For investment properties amounting to nil, fair value during construction is determined to be historical cost plus a proportion of anticipated valuation gain or loss depending on the progress of construction. The investment properties will be measured this way until receipt of the final childcare service approval completion certificate.

#### Sensitivity analysis

|                      |   |
|----------------------|---|
| Valuation input      | Relationship of valuation input to fair value           |
| Annual rental income | the higher the rental income, the higher the fair value |
| Rental yield         | the higher the yield, the lower the fair value          |

Based on an assessment of unobservable inputs relating to fair value of investment properties, the most significant unobservable input is rental yield/capitalisation rate.

A 10% increase or decrease in the unobservable inputs for properties at 30 June 2024 would have (decreased)/increased the net attributable assets to unit holders and the profit for the year by (\$nil)/\$nil.

## 15. Parent entity information

The individual financial statement of the parent entity show the following aggregate amounts:

|   | Year ended            |                       |
|---|-----------------------|-----------------------|
|   | 30 June<br>2024<br>\$ | 30 June<br>2023<br>\$ |
| <b>Statement of comprehensive income</b>              |                       |                       |
| Profit/(loss) for the year                            | (93,156)              | (569,458)             |
| <b>Total comprehensive profit/(loss) for the year</b> | <b>(93,156)</b>       | <b>(569,458)</b>      |

|  | As at                 |                       |
|--|-----------------------|-----------------------|
|  | 30 June<br>2024<br>\$ | 30 June<br>2023<br>\$ |
| <b>Statement of financial position</b>               |                       |                       |
| Total assets   | 549,977               | 12,022,150            |
| Total liabilities                                    | (549,977)             | (4,532,911)           |
| <b>Net assets</b>                                    | <b>-</b>              | <b>7,489,239</b>      |
| Net assets attributable to unit holders              | -                     | 7,489,239             |
| <b>Total net assets attributable to unit holders</b> | <b>-</b>              | <b>7,489,239</b>      |

## 16. Events occurring after the reporting period

On 20 August 2024, the Responsible Entity notified unit holders of the determination to wind up the Fund and pay the final distribution in accordance with the Fund's constitution, being a minimum of 60 days after issuance of the formal notice. The final distribution will be paid to unit holders in October 2024.

No other significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the consolidated 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.

## 17. 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 consolidated financial statements and notes set out on pages 6 to 31 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 year 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 consolidated 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

## Independent auditor's report to the members of Federation Education Real Estate Investment Trust and its controlled entities

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Federation Education Real Estate Investment Trust and its controlled entities collectively the Group, which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 Group is in accordance with the Corporations Act 2001, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2024 and of its consolidated 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 section of the financial report section of our report. We are independent of the Group 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 in relation to the independence requirements that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Emphasis of matter – basis of accounting

We draw attention to Note 2 of the financial report, which describes the basis of accounting. It is the directors' intention to wind up the Group in 2024. As a result, the financial report has been prepared on a basis other than going concern as described in Note 2. Our opinion is not modified in respect of this matter.

#### 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 Group'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 Group 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 Group'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. When such use is inappropriate and the directors use an alternative basis of accounting, we conclude on the appropriateness of the directors' use of the alternative basis of accounting. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and

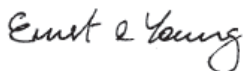
reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

- ▶ 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 Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group 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