

Federation Alternative Investments Trust 1

ARSN 634 838 216

Annual report
For the year ended 30 June 2023

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This annual report covers Federation Alternative Investments Trust 1.

The Responsible Entity of Federation Alternative Investments Trust 1 is EQT Responsible Entity Services Ltd. (ABN 94 101 103 011) (AFSL 223271).

The Responsible Entity's registered office is:

Level 1, 575 Bourke Street
Melbourne, VIC 3000

Directors' report

The directors of EQT Responsible Entity Services Ltd., the Responsible Entity of Federation Alternative Investments Trust 1 (the "Fund"), present their report together with the financial statements of Fund for the year ended 30 June 2023. These financial statements have been prepared as it is a disclosing entity under the Corporations Act 2001.

Principal activities

The Fund invests in renewable energy, social health and 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 Product Disclosure Statement.

The Fund did not have any employees during the year.

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

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	EQT Responsible Entity Services Ltd
Investment Manager	Federation Asset Management Pty Ltd
Administrator	Apex Fund Services Pty Ltd (an Apex Group Company)*
Statutory Auditor	Ernst & Young

* Effective on 21 October 2022, Mainstream Fund Services Pty Ltd changed its name to Apex Fund Services Pty Ltd.

Directors

The following persons held office as directors of EQT Responsible Entity Services Ltd during or since the end of the year and up to the date of this report:

Philip D Gentry	Chairman
Travis R Goudie	
Russell W Beasley	

Review and results of operations

During the year, the Fund continued to invest its funds in accordance with the provisions of the relevant Constitutions and with the Product Disclosure Statement.

The Fund's performance was 13.15% (net of fees) for the year ended 30 June 2023.

The Fund's simple net annual rate of return is calculated based on the movement in unit price for the year and includes any distribution proceeds.

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

	30 June 2023	Year ended 30 June 2022
Profit/(loss) before finance costs attributable to unit holders for the year (\$'000)	15,497	12,041

There were no distributions declared for the year ended 30 June 2023 and 30 June 2022.

Directors' report (continued)

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may have a significant effect on:

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

Likely developments and expected results of operations

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

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

Indemnification and insurance of officers

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

Indemnification of auditor

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

Interests in the Fund

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

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

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars


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

Directors' report (continued)

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 EQT Responsible Entity Services Ltd through a delegated authority given by EQT Responsible Entity Services Limited's Board.



Philip D Gentry
Chairman

Melbourne
28 September 2023



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Auditor's Independence Declaration to the Directors of EQT Responsible Entity Services Ltd as Responsible Entity for Federation Alternative Investments Trust 1

As lead auditor for the audit of the financial report of Federation Alternative Investments Trust 1 for the financial year ended 30 June 2023, 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.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Jonathan Pye'.

Jonathan Pye
Partner
28 September 2023

Statement of comprehensive income

	Note	Year ended	
		30 June 2023 \$'000	30 June 2022 \$'000
Investment income			
Net gains/(losses) on financial instruments at fair value through profit or loss		16,513	8,259
Interest income on financial assets at amortised cost		49	-
Total investment income/(loss)		16,562	8,259
Expenses			
Reversal of performance fees accrual	13	(1,848)	(543)
Management fees and costs		1,844	1,368
Legal costs		74	38
Professional and advisory fees		110	87
Due diligence costs		884	-
Other expenses		1	1
Total expenses		1,065	951
Profit/(loss) before income tax and finance costs attributable to unit holders for the year		15,497	7,308
Income tax expense/(benefit)	11	-	(4,733)
Net profit/(loss) after income tax and before finance costs attributable to unit holders		15,497	12,041
Finance cost attributable to unit holders			
(Increase)/decrease in net assets attributable to unit holders		(15,497)	(12,041)
Total finance cost attributable to unit holders		(15,497)	(12,041)
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

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

Statement of financial position

	Note	As at	
		30 June 2023 \$'000	30 June 2022 \$'000
Assets			
Financial assets at fair value through profit or loss	5	119,277	78,520
Due from related parties	14	12,246	54,734
Receivables	9	131	114
Prepaid due diligence cost		-	382
Total assets		131,654	133,750
Liabilities			
Payables	10	1,615	3,364
Due to related parties	14	936	16,780
Total liabilities		2,551	20,144
Total net assets		129,103	113,606
Net assets attributable to unit holders – liability	6	129,103	113,606

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

Statement of changes in equity

	Year ended	
	30 June 2023 \$'000	30 June 2022 \$'000
Total equity at the beginning of the financial year	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the financial year*	-	-

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

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

	Note	Year ended	
		30 June 2023 \$'000	30 June 2022 \$'000
Cash flows from operating activities		-	-
Cash flows from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-

Federation Alternative Investments Trust 1 is stapled with Federation Alternative Investments Trust 2. Both trusts comprise Federation Alternative Investments (Group). The cash account of the Group is held by Federation Alternative Investments Trust 2 and operations of Federation Alternative Investment Trust 1 is funded through the intercompany account.

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

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1. General information

Federation Alternative Investments is comprised of Federation Alternative Investments Trust 1 ("Fund" or "Fund 1") and Federation Alternative Investments Trust 2 ("Fund 2") (collectively, the "Group"). Fund 1 and Fund 2 are stapled entities such that a unit in Fund 1 may not be dealt with without also dealing with a unit in Fund 2.

These financial statements cover the Fund. The Fund was constituted on 11 December 2018 and will terminate in accordance with the provisions of the Fund's Constitution or the Law. The Fund is a for profit entity domiciled in Australia.

Investors are issued stapled units with each stapled security comprising one unit in Fund 1, which is stapled to one unit in Fund 2 ("Stapled Security"). Securities of Funds 1 and 2 are stapled on 12 December 2018. Stapled Securities cannot be traded or dealt with separately.

The Responsible Entity of the Fund is EQT Responsible Entity Services Ltd. (ABN 94 101 103 011) (AFSL 223271) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. The financial statements are presented in the Australian currency unless otherwise noted.

The Fund invests in renewable energy, social health and growing operating companies that meet a social and economic need in accordance with the provisions of the Fund's Constitution and the Product Disclosure Statement.

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

2. Summary of significant accounting policies

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

a. Basis of preparation

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

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

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

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

i. Compliance with International Financial Reporting Standards (IFRS)

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

2. Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

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

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

iii. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023 and have not been early adopted in preparing these financial statements.

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

b. Investment entity status

From 1 July 2021, the Fund has made an irrevocable election to be a passive AMIT trust from being a previously active trading trust and has not participated in direct construction, commissioning, and contracting activities in its portfolio companies. The Fund met the criteria of an investment entity from 1 July 2021.

As of the date of change of status, 1 July 2021, the total fair value of subsidiaries that ceased to be consolidated amounted to \$47,785,324 and the total gain or loss as though Fund 1 had lost control of those subsidiaries at that date, amounted to nil.

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

The Fund's portfolio of financial assets is managed and its performance is evaluated on a fair value basis in accordance with the Group'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.

Fund 1 being an investment entity, is required to apply the exception to consolidation and account for its investment in subsidiaries at fair value through profit or loss.

For due from related parties 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.

2. Summary of significant accounting policies (continued)

c. Financial instruments (continued)

i. Classification (continued)

- Financial liabilities

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

iii. Measurement

- Financial instruments at fair value through profit or loss

At initial recognition, the Fund measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the 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' category are presented in the statement of comprehensive income in the period in which they arise.

- Financial instruments at amortised cost

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

Due from related parties and receivables, are carried at amortised cost.

2. Summary of significant accounting policies (continued)

c. Financial instruments (continued)

iv. Impairment

At each reporting date, the Fund shall estimate a loss allowance on each of the financial assets carried at amortised cost (due from related parties and receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

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

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

v. Offsetting financial instruments

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

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

d. Net assets attributable to unit holders

The Fund is an illiquid Australian registered managed investment scheme and is not subject to redemptions.

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

2. Summary of significant accounting policies (continued)

e. Investment income (continued)

ii. Interest income (continued)

Interest income on financial assets at fair value through profit or loss is also recognised in the 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 financial statements.

iii. Dividends and distributions

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

f. Expenses

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

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

g. Income tax

Federation Alternative Investments Trust 1 is classified as Passive Fund from 1 July 2021. The Responsible Entity intends that Federation Alternative Investments Trust 1 elect to be treated as an Attribution Managed Investment Trusts (AMIT).

Under current legislation, Federation Alternative Investments Trust 1 is not subject to income tax provided they attribute the entirety of the taxable income to their unit holders.

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

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

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

j. Foreign currency translation

i. Functional and presentation currency

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

2. Summary of significant accounting policies (continued)

k. Receivables

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

l. 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.

m. Applications and redemptions

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

n. Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as management, administration and custodian services where applicable, have been passed on to the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence, fees for these services and any other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

o. Use of estimates and judgements

The Fund makes estimates 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.

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.

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

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

p. Rounding of amounts

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

3. Financial risk management

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

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

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

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

i. Price risk

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

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

The table at Note 3(a) summarises the sensitivities of the Fund's assets and liabilities to price risk. The analysis is based on the reasonably possible shift that the market prices move by +/- 10% (2022: +/-10%).

ii. Foreign exchange risk

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

iii. Interest rate risk

The Fund does not carry any interest-bearing financial instruments and therefore is not subject to interest rate risk.

3. Financial risk management (continued)

The table at Note 3(a) summarises the sensitivities of the Fund's assets and liabilities to interest rate risk. The analysis is based on the reasonably possible shift that the interest rates move by +/- 10% (2022: +/-10%).

a. Summarised sensitivity analysis

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

	Impact on operating profit/net assets attributable to unit holders			
	Price risk		Interest rate risk	
	+10%	-10%	+100bps	-100bps
	\$'000	\$'000	\$'000	\$'000
As at 30 June 2023	11,928	(11,928)	-	-
As at 30 June 2022	7,852	(7,852)	-	-

b. Credit risk

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

The Fund does not have a significant concentration of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. The main concentration of credit risk, to which the Fund is exposed, arises from cash and cash equivalents. None of these assets are impaired nor past their due date. There is no credit risk at the reporting date.

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. At 30 June 2023 and 30 June 2022, all receivables and due from related parties are held with counterparties with a credit rating of AA/Aa or higher and are either callable on demand or due to be settled within 1 week. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

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

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.

3. Financial risk management (continued)

c. Liquidity risk

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

Exposure to liquidity risk for the Trust is minimal as liquidity is managed across the Group as a whole. Related parties in the group will not enforce repayment of amounts owed. The expected term expiry of Fund 1 and Fund 2 is 25 September 2024, subject to subsequent extensions (if any) determined by the Responsible Entity.

Liquidity risk is managed by Investment Manager and Responsible Entity.

i. Maturities of non-derivative financial liabilities

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

	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
As at 30 June 2023					
Payables	-	165	-	1,450	1,615
Due to related parties	936	-	-	-	936
Contractual cash flows	936	165	-	1,450	2,551
As at 30 June 2022					
Payables	-	66	-	3,298	3,384
Due to related parties	16,780	-	-	-	16,780
Contractual cash flows	16,780	66	-	3,298	20,144

4. Fair value measurement

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

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

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

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

a. Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and listed equity securities) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

4. Fair value measurement (continued)

a. Fair value in an active market (level 1) (continued)

The quoted market price used for financial assets held by the Fund is the current bid price; the quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

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

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

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

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

4. Fair value measurement (continued)

c. Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2023 and 30 June 2022.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2023				
Financial assets				
Investments in subsidiaries- unlisted unit trusts	-	-	119,277	119,277
Total financial assets	-	-	119,277	119,277
As at 30 June 2022				
Financial assets				
Investments in subsidiaries- unlisted unit trusts	-	-	78,520	78,520
Total financial assets	-	-	78,520	78,520

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

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

	Investments in subsidiaries- Unlisted unit trusts \$'000
Opening balance	67,877
Purchases	2,385
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	8,258
Closing balance – 30 June 2022*	78,520
Purchases	24,242
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	16,515
Closing balance – 30 June 2023*	119,277

* Includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. During the year, no investments were reclassified from level 3 to level 1, (30 June 2022: nil).

i. Valuation inputs and relationships to fair value

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

4. Fair value measurement (continued)

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

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

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

Description	Fair Value \$	Valuation technique	Unobservable inputs	Range	Sensitivity
Investment in Subsidiary – investments in unlisted unit trusts	119,277	Net Assets Value as at 30 June 2023	Net Assets Value as at 30 June 2023	N/A	Direct
Investment in Subsidiary – investments in unlisted unit trusts	78,520	Net Assets Value as at 30 June 2022	Net Assets Value as at 30 June 2022	N/A	Direct

In addition to mandatory disclosures, the subsidiaries investments valuation techniques, inputs and sensitivities are as below:

Description	Valuation technique	Unobservable inputs	Range	Sensitivity
As at 30 June 2023: Unlisted equities	Recent transaction price	Historic trading data	-10% – 10 %	10% increase (decrease) in the recent transaction price would result in an increase (decrease) in fair value by \$3,078,800
Unlisted unit trust	Net asset value as at 30 June 2023	Net asset value as at 30 June 2023	N/A	Direct
Convertible notes	Principal and accrued interest	Coupon rate	8%	N/A
As at 30 June 2022: Unlisted equities	Recent transaction price	Historic trading data	-10% – 10 %	10% increase (decrease) in the recent transaction price would result in an increase (decrease) in fair value by \$3,863,000
Unlisted unit trust	Net asset value as at 30 June 2022	Net asset value as at 30 June 2022	N/A	Direct

4. Fair value measurement (continued)

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

i. Valuation processes

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

e. Financial instruments not carried at fair value

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

5. Financial assets at fair value through profit or loss

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Investments in subsidiaries - unlisted unit trusts	119,277	78,520
Total financial assets at fair value through profit or loss	119,277	78,520

6. Net assets attributable to unit holders – liability

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments are classified as equity where certain are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions. The Fund's units are classified as 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 '000	\$ '000
Units		
Opening balance	41,114	91,429
Applications	4,464	10,136
Change in net assets attributable to unit holders	-	12,041
Closing balance – 30 June 2022	45,578	113,606
Applications	119	-
Change in net assets attributable to unit holders	-	15,497
Closing balance – 30 June 2023	45,777	129,103

There are two separate classes of units – ordinary units and initial investor units. The ordinary units and initial investor units have been consolidated and are referred to as units in the above table. 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.

Initial Investor Units have the same rights, restrictions and obligations as ordinary units, other than having an additional right to participate as a co-investor in particular investments alongside either Fund 1 or Fund 2. This co-investment right is available to the Initial Investor Unit holder for a maximum period of 5 years from the time that it is first issued an Initial Investor Unit.

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

In addition to the above, the Fund issued 230 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 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 Funds, the holder of Initial Units is only entitled to payment of the price paid by the holder to acquire the Initial Units. No additional Initial Units were issued and no units were redeemed during the year ended 30 June 2023.

7. Capital risk management

The Fund considers its net assets attributable to unit holders as capital, notwithstanding that net assets attributable to unit holders are classified as a liability.

8. Distributions to unit holders

There were no distributions declared for the year ended 30 June 2023 (30 June 2022: nil).

9. Receivables

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
GST receivable	79	114
Interest receivable	49	-
Prepaid expenses	3	-
Total receivables	131	114

10. Payables

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Performance fees payable	1,450	3,298
Management fees and costs payable	165	29
Professional fees payable	-	37
Total payables	1,615	3,364

11. Income tax

The Fund calculates the year’s income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the statement of comprehensive income are:

	Year ended	
	30 June 2023 \$'000	30 June 2022 \$'000
Income taxes		
Current income tax expense	-	-
Deferred income tax:	-	-
Revaluation of financial assets at fair value through profit or loss	-	-
Losses available for offsetting gains future taxable income	-	-

Federation Alternative Investments Trust 1
Notes to the financial statements
For the year ended 30 June 2023
(continued)

Other temporary differences	-	(4,733)
Total deferred income tax	-	(4,733)
Income tax expense benefit recognised in the statement of comprehensive income	-	(4,733)

The income tax payable as at 30 June 2023 is nil (2022: nil). As at 30 Jun 2021, the Fund had a deferred tax liability balance of \$4,733,000. As the Fund elected to be an AMIT from 1 July 2021, the Fund recognised an income tax benefit of \$4,733,000 to derecognise the deferred tax liability.

12. Remuneration of auditors

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

	Year ended	
	30 June 2023 \$	30 June 2022 \$
Ernst & Young		
<i>Audit and other assurance services</i>		
Audit of financial statements	47,233	42,222
<i>Taxation services</i>		
Tax compliance services	-	-
Total remuneration of Ernst & Young	47,233	42,222
PricewaterhouseCoopers		
<i>Audit and other assurance services</i>		
Audit of compliance plan	2,346	2,346
Total remuneration of PricewaterhouseCoopers	2,346	2,346

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

13. Related party transactions

The Responsible Entity of the Fund is EQT Responsible Entity Services Ltd. (ABN 94 101 103 011) (AFSL 223271). Accordingly, transactions with entities related to EQT Responsible Entity Services Ltd are disclosed below.

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

Key management personnel

i. Directors

Key management personnel include persons who were directors of EQT Responsible Entity Services Ltd at any time during or since the end of the financial year and up to the date of this report.

Philip D Gentry	Chairman
Travis R Goudie	
Russell W Beasley	

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.

Key management personnel compensation

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

Key management personnel loans

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

Other transactions within the Group

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

13. Related party transactions (continued)

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

Under the terms of the Fund's Constitution and Product Disclosure Statement 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 2023	30 June 2022
	\$	\$
Management fees and costs for the year*	1,653,066	1,253,274
Performance fees for the year	(1,847,631)	(543,262)
Management fees and costs payable at year end**	30,000	-
Performance fees payable at year end	1,449,992	3,297,624

*Includes Responsible Entity fees during the year amounting to \$38,477 (30 June 2022: \$38,395)

**Includes Responsible Entity fees payable at year-end amounting to \$30,000 (30 June 2022: nil)

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

Performance fees – 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 8.0% 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.

Management fees – The base management fee payable to the Investment Manager is 1.6% per annum. This is calculated on the aggregate subscription amount and payable quarterly in advance.

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 loans to Windlab or its holding trusts. As at 30 June 2023, due from related parties of \$12,246,106 is receivable from Federation Alternative Investment Trust 2, which pertains to amounts received by Federation Alternative Investments Trust 2 for issuance of units in the Fund (30 June 2022: \$54,734,162). As at 30 June 2023, due to related parties of \$935,780 is payable to Federation Alternative Investment Trust 2, which pertains to amounts advanced for the acquisition of investments and funding support for expenses of the Fund (30 June 2022: \$16,780,422).

As described in the May 2021 Product Disclosure Statement, Federation Asset Management Holdings Pty Ltd ("Support Provider"), being the Parent Company of the Investment Manager, has undertaken to pay an amount equivalent to 2.75% of the Funds raised under that offer, in favour of the Fund (this amount referred to as the "Fund Support Payment" amount). This Fund Support Payment as at 30 June 2023 totals to \$716,583 (2022: \$716,583). The undertaking is a one-off obligation, payable by the Support Provider to the Fund at the Support Payment Calculation Date, being:

- whilst the Fund is not listed, the earlier of the date that the Fund is terminated or the date that the term of the Fund ends (the expected term expiry is 25 September 2024, subject to any subsequent extensions); and
- if the Fund is listed, such time as nominated in the Product Disclosure Statement written for the purposes of such listing.

13. Related party transactions (continued)

f. Related party unit holdings

Parties related to the Fund (including EQT Responsible Entity Services Ltd, its related parties and other schemes managed by EQT Responsible Entity Services Ltd and the Investment Manager) held no units in the Fund as at 30 June 2023 (30 June 2022: nil).

g. Investments

The Fund did not hold any investments in EQT Responsible Entity Services Ltd or its related parties during the year (2022: nil).

The Fund held investments in the following schemes which are also managed by EQT Responsible Entity Services Ltd or its related parties:

	Fair value of investment	Interest held	Distributions earned	Distributions receivable	Units acquired during the year	Units disposed during the year
	\$	%	\$	\$		
As at 30 June 2023						
FAI PE 1A3	26,085,658	62.34%	-	-	58,960	-
FAI PE 1A4	59,869	20.00%	-	-	-	-
FAI RENT1A	31,074,680	41.81%	-	-	-	-
Federation SC Fund	3,718,307	32.88%	-	-	3,651,313	-
As at 30 June 2022						
FAI PE 1A3	20,271,644	61.70%	-	-	2,506,364	-
FAI PE 1A4	114,593	20.00%	-	-	-	-
FAI RENT1A	14,345,453	41.81%	-	-	-	-
Federation SC Fund	488,823	7.41%	-	-	512,812	-

FAI PE 1A3 – Federation Alternative Assets Private Equity Subtrust 1A3

FAI PE 1A4 – Federation Alternative Assets Private Equity Subtrust 1A4

FAI RENT1A – Federation Alternative Assets Renewable Energy Subtrust 1A

13. Related party transactions (continued)

g. Investments (continued)

	Principal activity	Ownership %	
		2023	2022
Federation Alternative Assets Private Equity Trust 1 ("PET1")	Investment	100	100
Federation Alternative Assets Private Equity Subtrust 1A ("PE1A") ⁽¹⁾	Investment	100	100
Federation Alternative Assets Private Equity Subtrust 1A1 ("PE1A1") ⁽²⁾	Investment	100	100
Federation Alternative Assets Private Equity Subtrust 1A2 ("PE1A2") ⁽²⁾	Investment	100	100
Federation Alternative Assets Private Equity Subtrust 1A5 ("PE1A5") ⁽²⁾	Investment	100	100
Federation Alternative Assets Private Equity Subtrust 1A6 ("PE1A6") ⁽²⁾	Investment	100	100
Federation Alternative Assets Renewable Energy Trust 1	Investment	100	100
Federation Alternative Assets Investments Trust 2	Investment	100	100
Federation Alternative Assets Private Equity Trust 2 ("PET2")	Investment	100	100
Federation Alternative Assets Private Equity Subtrust 2A ("PE2A") ⁽⁴⁾	Investment	100	100
Federation Alternative Assets Renewable Energy Trust 2 ("RENT2")	Investment	100	100
Federation Alternative Assets Renewable Energy Subtrust 2A ("RENT2A") ⁽⁵⁾	Investment	100	100

- (1) PE1A is a 100% owned subsidiary of PET1.
(2) PE1A1, PE1A2, PE1A5 and PE1A6 are 100% owned subsidiary of PE1A.
(3) RE2A is a 100% owned subsidiary of RET2.
(4) PE2A is a 100% owned subsidiary of PET2.
(5) RENT2A is a 100% owned subsidiary of RENT1.

14. Events occurring after the reporting year

No significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2023 or on the results and cash flows of the Fund for the year ended on that date.

15. Contingent assets and liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2023 (30 June 2022: nil).

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- a. The financial statements and notes set out on pages 6 to 29 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 2023 and of its performance for the year ended on that date.
- b. There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- c. Note 2(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors of EQT Responsible Entity Services Ltd through a delegated authority given by EQT Responsible Entity Services Limited's Board.



Philip D Gentry
Chairman

Melbourne
28 September 2023



**Building a better
working world**

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Independent auditor's report to the members of Federation Alternative Investments Trust 1

Report on the audit of the financial report

Opinion

We have audited the financial report of Federation Alternative Investments Trust 1 the Fund, which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

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

- a. Giving a true and fair view of the Fund's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

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

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

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

The directors of Responsible Entity Services Ltd the Responsible Entity are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

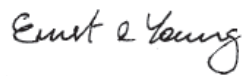
Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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.



Ernst & Young



Jonathan Pye
Partner
Sydney
28 September 2023