Storehouse Residential Trust and its Controlled Entity

ARSN 135 812 074

Consolidated financial report for the year ended 30 June 2023

Index to the Consolidated Financial Statements

This financial report covers Storehouse Residential Trust as a consolidated entity.

The Responsible Entity of Storehouse Residential Trust is K2 Asset Management Ltd (ABN 95 085 445 094).

The Responsible Entity's registered office is:
Level 32, 101 Collins Street
Melbourne, Victoria, 3000.

Directors' Report

The directors of K2 Asset Management Ltd (ABN 95 085 445 094; AFSL 244393) ("K2" or the "Responsible Entity"), the responsible entity of Storehouse Residential Trust (ARSN 135 812 074) (the "Trust") and its controlled entities (the "Group"), submit their report on the Group for the year ended 30 June 2023 and the auditor's report thereon.

The various service providers for the Fund are detailed below:

Service	**Provider**
Responsible Entity	K2 Asset Management Ltd *
Investment Manager	Storehouse Pty Limited (ABN 15 106 578 018) **
Administrator	Apex Fund Services Ltd
Custodian	Certane CT Pty Ltd

*The registered office and principal place of business of the Responsible Entity is Level 32, 101 Collins Street, Melbourne VIC 3000.

**The principal place of business of the Investment Manager is Level 10/171 Clarence St, Sydney NSW 2000.

Directors and Senior Management

The names of the directors and company secretary of the Responsible Entity, during the year and up to the date of this report are:

Name	**Title**
Campbell W Neal	Executive Director
Hollie A Wight	Executive Director and Company Secretary
George Boubouras	Executive Director
Neil Sheather	Non-executive Director (Appointed on 1 July 2023)

Principal Activities

The Trust is a registered managed investment scheme domiciled in Australia. The principal activity of the Group is to invest funds in properties, directly and through shared equity arrangements in accordance with the investment objectives and guidelines set out in its current Product Disclosure Statement dated 5 May 2022 and in accordance with the provisions of its Constitution.

The Trust has invested in a sub-trust where it is the sole beneficiary and unitholder. This sub-trust is being used to purchase and develop residential properties.

The consolidation of the sub-trust is included in the financial report.

The Group did not have any employees during the year.

Review of Operations

Results

The results of operations of the Group are disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The profit before finance costs attributable to unitholders for the year ended 30 June 2023 was $648,954 (2022: $1,103,899).

Distributions

Total distribution payable to unitholders for the financial year ended 30 June 2023 amounted to $509,872 (2022: $474,196) or 1.98 cents per unit (2022: 2.5 cents per unit).

Total Assets

The value of the Group's assets as at the end of the financial year is $29,909,564 (2022: 22,518,648) as disclosed in the Consolidated Statement of Financial Position and the basis of valuation is provided in Note 2 to the consolidated financial statements. The increase in the value of the Group's asset is resulted from net applications of $7,601,095 received during the financial year.

Directors' Report (continued)

Significant Changes in State of Affairs
In the opinion of the directors, there were no significant changes in the state of affairs of the Group that occurred during the year ended 30 June 2023.

Subsequent Events
In September 2023, an ASIC statement of concerns was issued relating to concerns surrounding the Target Market Determination ("TMD") disclosures for the Fund. Up until the concerns were addressed, ASIC issued a stop order on the Fund. As of the date of signing, all concerns raised by ASIC were addressed and the Fund was reopened to accept applications. Amendments were made to the TMD relating to recategorisation of risks and limiting offering of the Fund to only wholesale/institutional investors and any retail investors applying via a financial planner/advisor. There were no changes made to the Constitution and Product Disclosure Statement of the Fund.

There have been no other matter or circumstance that significantly affects or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely Developments and Expected Results of Operations
The Group will continue to be managed in accordance with the investment objectives and guidelines set out in its Product Disclosure Statement and in accordance with the provisions of its Constitution. Future results will accordingly depend on the performance of the markets to which the Group is exposed.

Investment performance is not guaranteed, and future results may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further details of likely future developments in the operations of the Group, and the expected results of those operations in future financial years, have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Responsible Entity's Transactions with the Group and Interest Held in the Group
Total units in the Group as at the end of the reporting period are 25,736,560 (2022: 18,985,613 units). The number of units held by the Responsible Entity and its related parties as at the end of the reporting period is nil.

There were no transactions in units (applications / withdrawals) made by the Responsible Entity and its related parties during the financial year as disclosed in Note 17.

The fees paid to the Responsible Entity and its associates out of Group property during the financial year is $79,363 (2022: $73,220) as disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Environmental Regulation and Performance
The operations of the Group are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Group.

Indemnification of Directors, Officers and Auditors
During or since the financial year, the Group has not indemnified or made a relevant agreement to indemnify an officer of the Responsible Entity or auditor of the Group or any related corporate body against a liability incurred by an officer of the Responsible Entity or auditor of the Group. In addition, the Group has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer of the Responsible Entity or auditor of the Group.

Proceedings on Behalf of the Group
No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Responsible Entity is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

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 4 and forms part of the Directors’ report.

Signed in accordance with a resolution of the Board of Directors.

On behalf of the directors of the Responsible Entity, K2 Asset Management Ltd.

Hollie Wight
Executive Director
20 October 2023

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of K2 Asset Management Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Storehouse Residential Trust for the financial year ended 30 June 2023 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Chris Wooden

Partner

Melbourne

20 October 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2023

	Notes	Year ended 30 June 2023 $	Year ended 30 June 2022 $
Income			
Interest income		731,377	475,872
Net gain on financial instruments (shared equity) held at fair value through profit or loss		392,359	1,054,519
Net gain on investment property held at fair value		215,780	446,016
Rental income		112,069	-
Total income		**1,451,585**	**1,976,407**
Expenses			
Responsible entity fees	17	79,363	73,220
Management fee	17	316,200	215,649
Accounting expenses	17	-	8,953
Administration fees		56,210	36,089
Audit fees	3	51,555	42,009
Custodial fees		29,985	11,396
Legal fees		36,746	16,696
License fee	17	54,419	43,230
Registry fees	17	28,428	7,399
Tenant fee	17	-	4,064
Tax fees	17	-	1,149
Amortisation/write off of formation costs		-	244,005
Rental expenses		114,053	-
Other expenses		35,672	168,649
Total expenses		**802,631**	**872,508**
Profit before finance costs attributable to unitholders for the year		**648,954**	**1,103,899**
Finance costs attributable to unitholders			
Distribution to unitholders		(509,872)	(474,196)
(Decrease)/increase in net assets attributable to unitholders		**139,082**	**629,703**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**139,082**	**629,703**

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statement of Financial Position as at 30 June 2023

	Notes	30 June 2023 $	30 June 2022 $
Assets			
Current assets			
Cash and cash equivalents	5	957,780	1,210,739
Trade and other receivables	6	333,917	293,353
Other assets	7	88,554	117,135
Total current assets		**1,380,251**	**1,621,227**
Non-current assets			
Investment property	8	3,023,604	2,798,541
Prepayments	9	100,000	100,000
Financial assets	10	25,405,709	17,998,880
Total non-current assets		28,529,313	**20,897,421**
Total assets		**29,909,564**	**22,518,648**
Liabilities			
Current liabilities			
Trade and other payables	12	72,067	294,959
Distribution payable	4	509,872	474,196
Funding facility	14	-	412,928
Total current liabilities		**581,939**	**1,182,083**
Non-current liabilities			
Funding facility	14	1,123,858	733,893
Total non-current liabilities		**1,123,858**	**733,893**
Total liabilities (excluding net assets attributable to unitholders)		**1,705,797**	**1,915,976**
Net assets attributable to unitholders – liability	13	**28,203,767**	**20,602,672**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity for the year ended 30 June 2023

The Group's net assets attributable to unit holders are classified as a liability under AASB 132 *Financial Instruments: Presentation*. As the Group has no equity, the Group has not presented any items of changes in equity. Refer note 2(f) for reclassification of net assets attributable to unitholders from equity to liability during the year.

Consolidated Statement of Cash Flows for the year ended 30 June 2023

	Notes	Year ended 30 June 2023 $	Year ended 30 June 2022 $
Cash flows from operating activities			
Proceeds from shared equity returns and fixed rate returns		738,048	509,968
Proceeds from shared equity and fixed rate investment exits		2,309,274	2,000,138
Payments for shared equity and fixed rate investments		(9,658,408)	(7,401,254)
Payments to suppliers and others		(727,242)	(610,502)
Interest received		58,297	1,632
Rental income received		110,700	-
Advisory fees paid		(20,530)	(22,440)
Net cash used in operating activities	5 (b)	**(7,189,861)**	**(5,522,458)**
Cash flows from investing activities			
Payment for investment property costs		(17,571)	(913,771)
Other cash items from investing activity		-	(20,052)
Net cash used in investing activities		**(17,571)**	**(933,823)**
Cash flows from financing activities			
Proceeds from issue of units		7,532,378	6,468,333
Distributions paid to unitholders		(328,660)	(8,013)
Repayment of loans		(831,339)	(59,175)
Proceeds from loans		582,094	462,806
Net cash provided by financing activities		**6,954,473**	**6,863,951**
Net (decrease)/increase in cash and cash equivalents		**(252,959)**	**407,670**
Cash and cash equivalents at the beginning of financial year		1,210,739	803,069
Cash and cash equivalents at the end of financial year	5 (a)	**957,780**	**1,210,739**
Non-cash financing activities			
Distribution reinvestments	5 (d)	144,321	6,734

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

1. General Information

Storehouse Residential Trust (ARSN 135 812 074) (the "Trust") is an Australian registered managed investment scheme. The Trust was constituted and registered as managed investment scheme on 25 March 2009. The Trust together with its controlled entities ("Group") is a for-profit entity for financial reporting purposes.

The responsible entity of the Trust is K2 Asset Management Ltd (ABN 95 085 445 094; AFSL 244393) ("K2" or the "Responsible Entity"). The registered office and principal place of business of the Responsible Entity is Level 32, 101 Collins Street, Melbourne VIC 3000.

Storehouse Pty Ltd (ABN 15 106 578 018) ("Storehouse" or the "Investment Manager") is the investment manager of the Group.

The consolidated financial statements cover Storehouse Residential Trust and its sub-trust SRT Werribee Trust (ABN 31 417 822 351) "sub-trust", where Storehouse Residential Trust is the only unitholder and sole beneficiary ("Group"). The trustee of the sub-trust is Storehouse Pty Ltd (ABN 15 106 578 018).

The consolidated financial statements were authorised for issue by the directors on 20 October 2023. The directors of the Responsible Entity have the power to amend and reissue the consolidated financial statements.

2. Summary of Significant Accounting Policies

a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events, and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistent unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets, and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar. The amounts presented are in Australian dollars, which is the Group's functional currency.

The financial statements have been prepared on a going concern basis.

b) Income tax

Under current tax legislation, the Group is not liable to pay income tax as unitholders are presently entitled to the income of the Group and income of the Group is fully distributable to unitholders. See Note 2(h) for further details on distributions and income tax.

c) Financial instruments

i) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either purchase or sell the asset (i.e., trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are recognised as expenses in profit or loss immediately.

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

2. Summary of Significant Accounting Policies (continued)

c) Financial instruments (continued)

ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are classified as measured at FVTPL.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice.
- these include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Trust's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected.
- the frequency, volume and timing of sales of financial assets.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Trust’s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments or principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Trust considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g., non-recourse features).

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

2. Summary of Significant Accounting Policies (continued)

c) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses are recognised in profit or loss any gain or loss on derecognition is recognised in profit or loss.

Financial assets at fair value through profit or loss
Financial assets are classified at 'fair value through profit or loss' when they do not meet the criteria for classification as measured at armotised cost or fair value through other comprehensive income, derivatives not held for hedging purposes, when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss. The Group's participation in a capital gain on shared equity investment is classified as a derivative and is measured at fair value through profit or loss.

Financial Liabilities – Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortised cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii) Offsetting
Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Trust currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

iv) Impairment

The Group recognises loss allowances for expected credit losses (ECLs) on:
- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

Measurement of expected credit losses
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The Group applies a three-stage approach to measuring the ECL based on changes in the financial asset's underlying credit risk and includes forward-looking or macroeconomic level information. The ECL is the probability-weighted present value estimate of credit losses over the expected life of the portfolio. This is the product of Exposure at Default (EAD), Loss Given Default (LGD), and Probability of Default (PD).

The PD represents likelihood of a customer defaulting over a particular time horizon. The PD is assessed based on the historic past due data and forward looking macro-economic variables. LGD is the magnitude of the likely loss if there is a default and is measured as the difference between the carrying amount of the loan and the estimated value of security (net costs of realisation). EAD represents the expected exposure in the event of a default. EAD is derived based on the current exposure and potential changes to the current amount under the loan agreement arising from amortisation.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:
- debt securities that are determined to have low credit risk at the reporting date; and
- finance contracts measured at amortised cost and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.
- Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

2. Summary of Significant Accounting Policies (continued)

c) Financial instruments (continued)

iv) Impairment (continued)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). Financial assets on which 12-month ECL are recognised are referred to a Stage 1 and financial assets that experience a significant increase in credit risk and are not credit impaired are referred to as Stage 2. Financial assets on which lifetime ECL is recognised and that are credit impaired are referred to as Stage 3.

A financial asset moves from Stage 1 to Stage 2 or Stage 3 when there is a significant increase in credit risk (SICR) since initial recognition. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. These include:

- forbearance status: including requests for repayment relief coupled with risk indicators in bureau data and relevant application attributes; and
- more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired (stage 3). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The amount of the impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income within other expenses. When a financial asset 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 Profit or Loss and Comprehensive Income.

v) Derecognition

Financial assets are derecognised when the contractual right to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised when the related obligations are either discharged, cancelled or expire. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

d) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

2. Summary of Significant Accounting Policies (continued)

e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Consolidated Statement of Financial Position.

f) Unitholders' funds

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

The Units are classified as financial liabilities as the Trust is required to distribute its distributable income in accordance with the Trust's constitution.

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

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

Reclassification of net assets attributable to unitholders
In the comparative financial year, net assets attributable to unitholders were previously recorded as equity, however as the Trust pays mandatory distributions, this has been classified as liability.

g) Applications and redemptions of units

Redemption request while Group is liquid
While the Group is liquid, any unitholder may request that some or all of their units be redeemed. Upon making such a request, the unitholder will have no right to deal with the units (unless and until the request is denied by the Responsible Entity).

Redemption request while Group is not liquid
While the Group is a registered scheme but is not liquid, the Responsible Entity may make a withdrawal offer to all unitholders or to members in a class. A unitholder may withdraw from the Group in accordance with the terms of any current withdrawal offer.

Due to the nature of the Group's assets, the Group is considered not liquid for the purposes of redemption requests.

Applications received for units are recorded net of any entry fees payable prior to the issue of units. Redemptions are recorded after the cancellation of the corresponding redeemed units. The application and redemption prices of units are determined on the basis of the value of the Group's net assets on the date of the application or redemption divided by the number of units on issue on that date. A full description of the method used to calculate application and redemption prices of units is provided in the Group's Product Disclosure Statement (PDS) and the Trust's Constitution. Refer to Note 13 to these financial statements for further discussion of the features of the units.

h) Distribution to unitholders

The Trust's Constitution requires that the Group distribute, at a minimum, the "net income" (as defined in the *Income Tax Assessment Act 1936*) derived during the financial year. This means the net assessable income of the Group is fully distributable to the unitholders, either by way of cash or reinvestment (i.e., unitholders are entitled to the entire profit of the Group). Accordingly, the Group does not pay income tax provided that the distributable income of the Group is fully distributed to unitholders.

i) Change in net assets attributable to unitholders

Movements in net assets attributable to unitholders are recognised as liability.

j) Function and presentation currency
Items included in the Group's financial statements are measured using the currency of the primary economic environment in which they operate (the "functional currency"). The Group's functional currency is the Australian dollar. This is also the Group's presentation currency Group's presentation currency.

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

2. Summary of Significant Accounting Policies (continued)

k) Revenue and other 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. Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities.

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 Trust 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 recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Dividend and distribution income from financial assets at fair value through profit or loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income within dividend income and distribution income when the Group’s right to receive payments is established.

Properties leased to tenants under agreements which do not transfer substantially all of the risks and rewards of ownership are classified as operating leases. Rental income on operating leases are recognised on a straight-line basis over the period of the lease in the Statement of Comprehensive Income.

Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(c) to the financial statements.

l) Expenses

Rental expenses include interest, guarantee expense, accounting and other rental outgoings incurred in relation to investment properties. Rental expenses are recorded on an accrual basis.

All other expenses, including management fees, Responsible Entity fees and custodian fees, are recognised in the statement of profit or loss and comprehensive income on an accrual basis.

m) Trade and other receivables

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

n) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

o) Goods and services tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

p) Basis of consolidation

The Group’s financial statements consolidate those of the Storehouse Residential Trust and its sub-trust as of 30 June 2023. The parent controls a sub-trust if it is exposed, or has rights, to variable returns from its involvement with the sub-trust and has the ability to affect those returns through its power over the sub-trust. The sub-trust has a reporting date of 30 June.

All transactions and balances between the Group and sub-trust are eliminated on consolidation. Amounts reported in the financial statements of the sub-trust have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

2. Summary of Significant Accounting Policies (continued)

q) Parent entity information

Information relating to Storehouse Residential Trust ('the Parent Entity'):

	2023 $	2022 $
Statement of financial position		
Current assets	1,354,248	1,560,327
Total assets	28,782,363	19,659,207
Current liabilities	578,596	585,145
Total liabilities	578,596	585,145
Net assets	28,203,767	19,074,062
Unitholders' funds - liability	28,203,767	19,074,062
Statement of profit or loss and other Comprehensive Income		
Profit for the year	650,938	1,112,210
Other comprehensive income	-	-
Total comprehensive income	650,938	1,112,210

The Parent Entity has no capital commitments. The Parent Entity has not entered into a deed of cross guarantee.

r) Critical accounting estimates and judgments

The Investment Manager evaluates estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information up to and including the date of this report.

The Investment Manager has relied upon independent data reported by leading research groups including RP Data, Australian Property Monitors and Residex for the calculation of the loans and receivable fair value adjustment. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. The Investment Manager has made recommendations to the Responsible Entity for the year ended 30 June 2023. These recommendations have been adopted. Actual results may differ from these estimates. Refer to note 11 for the fair value as at 30 June 2023.

Significant judgement is also required in estimation of fair value of investment properties which are determined based on the valuation performed by external property valuers. Refer note 8 for the fair value as at 30 June 2023.

s) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation, measured initially at cost including transaction costs and where applicable, borrowing costs, and are accounted for using the fair value model. Investment properties are revalued at least every three years, and are included in the Consolidated Statement of Financial Position at their open market value. These values are supported by market evidence and are determined by external property professionals with sufficient experience with respect to both the location and the nature of the investment property.

Any gain or loss resulting from either a change in fair value or the sale of an investment property is recognised in profit or loss within net gain/(loss) on investment property held at fair value.

t) New accounting standards for application in future periods

The directors have reviewed those Australian Accounting Standards issued or amended, but not yet effective and have not been adopted in the financial report and determined that there will be no material impact on the amounts recognised in prior periods or will affect the current or future periods.

u) New and amended standards adopted by the Group

The Group has adopted all the amendments to Australian Accounting Standards issued by the Australian Accounting Standards Board, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning 1 July 2022.

None of the new and amendments have had a significant impact on the amounts recognised in prior periods or will affect the current or future periods.

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

3. Auditor's remuneration

	2023 $	2022 $
Remuneration of the auditor of the Group for:		
- Audit / review of the consolidated financial statements		
Crowe Sydney	2,613	9,152
KPMG	38,998	23,049
- Audit of the compliance plan		
Ernst & Young	-	4,400
KPMG	9,944	5,408
	51,555	**42,009**

4. Unitholders' distribution

Distributions paid and payable by the Group for the year are:

	30 June 2023 $	30 June 2023 cents/unit	30 June 2022 $	30 June 2022 cents/unit
Distribution for the year				
June (payable)	509,872	1.98	474,196	2.5
	509,872	**1.98**	**474,196**	**2.5**

5. Cash and cash equivalents

	2023 $	2022 $
a) Cash at bank	957,780	1,210,739
	957,780	**1,210,739**

b) Reconciliation of cash

Cash at the end of the financial year as shown in the Consolidated Statement of Cash Flows is reconciled to the related items in the Consolidated Statement of Financial Position as follows.

	2023 $	2022 $
Reconciliation of profit attributable to unitholders to cash flow from operations		
Profit attributable to unitholders	415,171	1,103,899
Non-cash items included in profit or loss		
Fair value gains	(608,139)	(1,500,535)
Amortisation/write off of formation costs	-	244,005
Movements in assets and liabilities		
Decrease/(increase) in trade and other receivables	3,180	(6,087)
Decrease/(increase) in other assets	364,130	(132,635)
Increase in financial assets	(7,349,134)	(5,360,750)
(Decrease)/increase in trade and other payables	(248,852)	129,645
	(7,189,861)	**(5,522,458)**

c) Reconciliation of movements of liabilities to cash flows arising from financing activities

	2023	2022 $
Opening	1,146,821	679,874
Changes from financing cashflows		
Proceeds from funding facility	582,094	462,806
Repayment of funding facility	(831,339)	(59,175)
Other changes	226,282	63,316
Balance as at 30 June (refer to note 14)	**1,123,858**	**1,146,821**

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

5. Cash and cash equivalents (continued)

d) Net distributions paid during the period

During the year income distributions totaling $144,321 (2022: $6,734) were reinvested by unitholders for additional units in the Group.

6. Trade and other receivables

	2023 $	2022 $
Current		
Other Receivables	333,917	293,353
	333,917	**293,353**

All of the receivables are non-interest bearing. There are no receivables past due or impaired as at the reporting date.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group has a material credit risk exposure to Home Affordability Solutions (HAS), a related party of Investment Manager. The following table details the Group's receivables potentially exposed to credit risk with ageing analysis and associated impairment, if any. Amounts are considered 'past due' when the debt has not been settled within the terms and conditions agreed between the Group and the debtor. Receivables that are past due are assessed for impairment by ascertaining the solvency of the debtor and provided for when there is objective evidence of specific circumstances indicating that the debt may not be repaid in full.

The balances of receivables that remain within initial terms (as detailed in the table below) are considered to be of high credit quality. The balances below are based on contractual receivable rather than the fair value.

2023	Credit Rating	Gross amount $	Past due and impaired $	<30 $	31 - 60 $	61 - 90 $	>90 $	Within Initial Trade Terms $
Trade and other receivables	n/a	333,917	-	-	-	-	-	333,917
Shared equity instruments	n/a	23,290,166	-	-	-	-	-	23,290.166
Total		**24,624,083**	-	-	-	-	-	**23,624,083**

2022	Credit Rating	Gross amount $	Past due and impaired $	<30 $	31 – 60 $	61 - 90 $	>90 $	Within Initial Trade Terms $
Trade and other receivables	n/a	293,353	-	-	-	-	-	293,353
Shared equity instruments	n/a	16,823,297	-	-	-	-	-	16,823,297
Total		**17,116,650**	-	-	-	-	-	**17,116,650**

b) Collateral held as security

No collateral is held as security for other receivable balances. Registered second mortgages over property are held as security for the financial assets - loans and receivables.

c) Collateral pledged

No trade and other receivable balances have been pledged as collateral.

d) Fair value

Receivables are expected to be recovered within a short term and fair value is therefore equivalent to carrying amount.

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

7. Other assets

	2023	2022
	$	$
Australian Taxation Office refunds due	15,769	55,595
Accrued income	66,284	43,701
Prepaid asset	6,511	3,694
Receivable from investors	(10)	14,145
	88,554	**117,135**

8. Investment property

Developments commenced on Lot 6178 during 2021 with builders appointed to design and construct on a fixed price basis a two-storey residence and granny flat which will be held for long-term. The construction was completed in June 2022 with a fair value of $1.6 million determined by external, independent property valuers, having appropriate professional qualifications and experience. The residence and granny flat were individually leased and occupied in July 2022.

Development approval for Lot 4047 was obtained in 2021 with an identical design to Lot 6178. Construction commenced under a fixed price contract during 2021 and was completed in June 2022. A fair value of $1.4 million determined by external, independent property valuers, having appropriate professional qualifications and experience. The residence and granny flat were individually leased and occupied in August 2022.

Please refer to note 11 for the fair value measurement methodology adopted for the Investment Property assets.

A summary of movement in Investment Property is set out below:

	2023	2022
	$	$
Beginning balance	2,798,541	1,400,800
Purchase and direct costs incurred	9,283	951,725
Fair value adjustment	215,780	446,016
Closing balance	**3,023,604**	**2,798,541**

During the year subsequent expenditure of $9k was incurred on construction and other direct costs of the properties (FY22: $952k).

	2023	2022
	$	$
Investment Property		
Non-current	3,023,604	2,798,541
Closing balance	**3,023,604**	**2,798,541**

9. Prepayments

	2023	2022
	$	$
Prepayments	100,000	100,000
Closing balance	**100,000**	**100,000**

During the financial year ending 30 June 2016, the sub-trust entered into an agreement to acquire the option to purchase dual income compact dwellings in master planned and developing areas throughout Australia. These properties are not readily available to the market and are specially designed to generate dual income with the option to have strata titles dividing the property into dual titles. This will support the planning and strategy of the Group's operations. The Group has retained the first right of refusal on any properties and has prepaid $100,000 to be offset against future purchases.

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

10. Financial assets

	2023	2022
	$	$
Shared equity investment	25,405,709	17,998,880
Total financial assets	**25,405,709**	**17,998,880**

Under the term of the loan agreement, the Group is entitled to the share of increase in fair value of underlying property secured against loan where the underlying loan is repaid, or the property is sold before the maturity.

Information on credit quality of loans and receivables is included in note 18.

11. Fair value measurement

Assets and liabilities measured at fair value in the Consolidated Statement of Financial Position are grouped into three levels of a fair value hierarchy. These levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of assets and liabilities measured at fair value on a recurring basis at 30 June 2023 and 30 June 2022.

	30 June 2023			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Shared equity investment	-	-	25,405,709	25,405,709
Investment property	-	-	3,023,604	3,023,604
Net fair value	**-**	**-**	**28,429,313**	**28,429,313**

	30 June 2022			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Shared equity investment	-	-	17,998,880	17,998,880
Investment property	-	-	2,798,541	2,798,541
Net fair value	-	-	**20,797,421**	**20,797,421**

Fair values of the shared equity investment and investment property do not have quoted prices and it has been determined that they are classified as Level 3 of the fair value hierarchy as defined in AASB 13 *Fair Value Measurement*.

The fair value of 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 property, or any other valuation technique or model that provides a reliable estimate of prices obtained in actual market transactions.

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 Group holds.

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

11. Fair value measurement (continued)

Quantitative information of unobservable inputs - Level 3

Although the Responsible Entity of the Fund believes that the estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used as reasonably possible alternatives by 10% upwards (favourable) or downwards (unfavourable) would impact the statement of comprehensive income.

The table below details the sensitivity analysis and the quantitative information about the unobservable inputs used in Level 3 fair value measurements:

Description	Fair value	Valuation technique	Unobservable inputs	Favourable*
As at 30 June 2023				
Shared equity investment	25,405,709	Using the discounted cash flow technique, the fair value of Shared equity investment is determined by applying a market derived discount rate to future payout of the investment.	Volatility of discount rate and when share equity investment are exited.	2,540,571
Investment property	3,023,604	Using the market comparison technique, the fair value of investment property is estimated with reference to recent sales of property of a similar nature, location and condition.	Change in property prices, expected market rental growth rate and occupancy rates of the investment properties.	302,360
Total fair value measurement in Level 3	**28,429,313**			**2,842,931**
As at 30 June 2022				
Shared equity investment	17,998,880	Using the discounted cash flow technique, the fair value of Shared equity investment is determined by applying a market derived discount rate to future payout of the investment.	Volatility of discount rate and when share equity investment are exited.	1,799,888
Investment property	2,798,541	Using the market comparison technique, the fair value of investment property is estimated with reference to recent sales of property of a similar nature, location and condition	Change in property prices, expected market rental growth rate and occupancy rates of the investment properties.	279,854
Total fair value measurement in Level 3	**20,797,421**			**2,079,742**

* A decrease (unfavourable) will have an equal and opposite impact on the statement of comprehensive income from operating activities and Net assets attributable to unitholders.

There were no inter-relationships between unobservable inputs that materially affect fair values.

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

12. Trade and other payables

	2023 $	2022 $
Current		
Trade payables	26,963	130,570
Accrued charges	45,104	164,389
Total	**72,067**	**294,959**

a) Financial liabilities at amortised cost classified as trade and other payables

	2023 $	2022 $
Trade and other payables	72,067	294,959
Total current and other payables	**72,067**	**294,959**

The average credit period on trade payables and other payables (excluding applications for units to be processed) is 1 month. No interest is payable on outstanding trade payables.

The fair value of financial liabilities (including trade and other payables) is equivalent to their carrying amount.

13. Units on issue

a) Units on issue

The Group has 25,736,560 units on issue (2022: 18,985,613) worth $28,203,767 (2022: $20,602,672). Movements in the number of units during the year were as follows:

	2023 Units	2023 $	2022 Units	2022 $
Opening balance	18,985,613	20,602,672	13,367,808	13,887,474
Increase / (decrease) in net assets attributable to unitholders	-	139,082	-	629,703
Applications (including reinvestments)	6,750,947	7,462,013	5,617,805	6,085,495
Closing balance	**25,736,560**	**28,203,767**	**18,985,613**	**20,602,672**

Each unit represents a right to a proportional share of the net assets of the Group. All units have the same rights attaching to them (identical features). The total expected returns to the holders over the life of the units are based on the profit or lo ss of the Group. These units are the only class of instruments issued by the Group. Therefore, the Group has issued no other classes of financial instruments that rank above the redeemable units. The units contain no other contractual obligations other than the redemption obligation.

b) Capital management

The Investment Manager manages the capital of the Group in order to maintain a good debt to equity ratio, provide unitholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes issued units and financial liabilities, supported by financial assets and investment properties.

The Group is not subject to any externally imposed capital requirements.

The Responsible Entity effectively manages the Group's capital by assessing the Investment Manager's recommendations in respect of the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to unitholders and acquisitions and disposals of financial assets.

The funding facility in relation to the sub-trust has been arranged for by the sub-trust.

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

14. Funding facility

The Group uses debt to fund the construction of residential dwellings on the land comprising its Investment Properties.

Lot 6178 was refinanced with an AXI Lending loan (#9115) on 27th September 2022, which included the full payment of the Advantage facility, loan from Xenjon Pty Limited and loan from Diversity Housing. The facility incurs interest at a rate of 6.94% p.a.(effective 8th June 2023) and is secured against Lot 6178

Lot 4047 has the following two facilities with a tenure of 30 years secured against the property:
- AXIS Lending facility (#3977) which incurs interest at a rate of 6.95% p.a (effective 8th June 2023); and
- AXIS Lending facility (#6414) which incurs interest at a rate of 6.95% p.a (effective 8th June 2023)

The Group did not have any defaults of principal or interest or other breaches with respect to the funding facilities during the years ended 30 June 2023 and 30 June 2022. The fair value of funding facilities approximates the carrying value.

	2023 $	2022 $
Current		
Diversity Housing	-	260,903
Xenjon Pty Ltd	-	150,000
HAS Operations	-	2,025
	-	**412,928**
Non-current		
Origin Loan – Purchase	346,469	350,575
Origin Loan – Construction	346,031	295,545
Advantedge Financial Services	-	87,773
Axis Loan	431,358	-
	1,123,858	**733,893**

15. Contingent liabilities and contingent assets

There were no outstanding contingent assets and liabilities as at 30 June 2023 and 30 June 2022.

16. Commitments

The Group has no commitments as at 30 June 2023 and 30 June 2022.

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

17. Related party transactions

The Group's main related parties are as follows:

(a) Responsible Entity

Transactions with Responsible Entity and its Associated Entities.

The Responsible Entity of the Trust is K2 Asset Management Ltd (ABN 95 085 445 094; AFSL 244393). K2 Asset Management Ltd was appointed as the Responsible Entity on 29 October 2021, replacing One Managed Investment Funds Limited, who acted as Responsible Entity until 28 October 2021. Accordingly, transactions with entities related to K2 Asset Management Ltd and One Managed Investment Funds Limited are disclosed below.

Compensation

No amount is paid by the Group directly to the directors of the Responsible Entity or the Investment Manager. Accordingly, no compensation as defined in AASB 124: *Related Party Disclosures* is paid by the Group to the directors as key management personnel.

K2 Asset Management Ltd

Responsible Entity fees
Responsible Entity fees charged by K2 Asset Management Ltd of $79,363 were incurred for the year ended 30 June 2023 (2022: $47,482) none of which was payable to K2 Asset Management Ltd at the end of the-year (2022: $nil).

Responsible Entity Onboarding fee
A one-off onboarding fee charged by K2 Asset Management Ltd of $nil were incurred for the year ended 30 June 2023 (2022: $26,177) none of which was payable to K2 Asset Management Ltd at the end of the-year (2022: $nil).

One Managed Investment Funds Limited

Responsible Entity fees
Responsible Entity fees charged by One Managed Investment Funds Limited of $nil were incurred for the year ended 30 June 2023 (2022: $25,738) none of which was payable to the One Managed Investment Funds Limited at the end of the year (2022: $nil).

Registry fees
Registry fees charged by One Registry Services Pty Limited of $nil were incurred for the year ended 30 June 2023 (2022: $7,399) none of which was payable to One Registry Services Pty Limited, a wholly owned subsidiary of One Investment Group, at the end of the year (2022: $nil).

Accounting fees
Accounting and administration fees charged by Unity Fund Services Pty Limited of $nil were incurred for the year ended 30 June 2023 (2022: $8,953) none of which was payable to Unity Fund Services Pty Limited, an affiliated entity of the Responsible Entity, at the end of the year (2022: $nil).

Tax fees
Tax fees charged by Unity Tax Services Pty Limited of $nil were incurred for the year ended 30 June 2023 (2022: $1,149) none of which was payable to Unity Tax Services Pty Limited, an affiliated entity of the Responsible Entity, at the end of the year (2022: $nil).

(b) Investment Manager

Transactions with Investment Manager and its Associated Entities

The Responsible Entity has contracted services to Storehouse Pty Ltd (ABN 15 106 578 018) to act as investment manager for the Trust ("Investment Manager").

Transactions with entities related to the Investment Manager are disclosed below.

Management fees
Management fees of $316,200 were incurred for the year ended 30 June 2023 (2022: $215,649) of which $24,435 (2022: $54,852) was payable to the Investment Manager at the end of the year.

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

17. Related party transactions (continued)

(b) Investment Manager (continued)

Transactions with Investment Manager and its Associated Entities (continued)

License fees
License fees of $54,419 was incurred for the year ended 30 June 2023 (2022: $43,230). These were paid to Delaney Willetts Trust, a related party of the Investment Manager, at the end of the year.

Tenant fees
Tenant fees of $nil were incurred for the year ended 30 June 2023 (2022: $4,064) none of which was payable to Home Affordability Solutions Pty Limited ("HAS"), a related party of the Investment Manager at the end of the year (2022: $nil).

Acquisition fees
Acquisition fees of $85,290 were incurred for the year ended 30 June 2023 (2022: $65,992) of which $10,427 (2022: $13,312) was payable to the Investment Manager and HAS at the end of the year.

Shared equity investment
Shared equity investment balance of $25,405,709 as of 30 June 2023 (2022: $17,998,880) is receivable from HAS (see Note 10).

Loan payable
Loan balance of $nil as of 30 June 2023 (2022: $260,903) is payable to Diversity, a joint venture between the Investment Manager and HAS Housing and $nil (2022: $2,025) is payable to HAS Operations at the end of the year (see Note 14).

(c) Key Management Personnel

Directors and Company Secretaries

Key management personnel who were directors and company secretaries of K2 Asset Management Ltd from 1 July 2022 to 30 June 2023 are as follows:

Name	Title
Campbell W Neal	Executive Director
Hollie A Wight	Executive Director and Company Secretary
George Boubouras	Executive Director
Neil Sheather	Non-executive Director (appointed on 1 July 2023)

Other Key Management Personnel

Peter Delaney is a director of the Investment Manager. He is considered key management personnel through authorities given in the investment management agreement.

Key Management Personnel Compensation

No key management personnel received any remuneration from the Trust.

Key Management Personnel Unit Holdings

Key management personnel and their associates and associated entities have held units in the Trust during the financial year as follows:

	Year ended June 2023					
	Number of units held Open	**Number of units held Close**	**Interest held**	**Number of units acquired***	**Number of units disposed***	**Distributions paid/ payable by the Trust**
Unitholder	**(units)**	**(units)**	**(%)**	**(units)**	**(units)**	**($)**
Peter Delaney	**21,074**	**49,398**	**0.19**	**1,099,652**	**(1,071,328)**	**979**

	Year ended June 2022					
	Number of units held Open	Number of units held Close	Interest held	Number of units acquired	Number of units disposed*	Distributions paid/ payable by the Trust
Unitholder	(units)	(units)	(%)	(units)	(units)	($)
Peter Delaney	61,045	21,074	0.11	729,492	(769,463)	526

*Includes units transferred from and to other unitholders.

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

17. Related party transactions (continued)

Key Management Personnel Shared Equity Investments

Peter Delaney is a borrower in a $255,539 shared equity investment as at 30 June 2023 (2022: $255,539).

(d) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively, with their close family members. Other related parties also include any entities controlled, jointly controlled, or significantly influenced by the Responsible Entity, or the Investment Manager, any of the Responsible Entity's or Investment Manager's parent entities and any entities that, together with the Responsible Entity or Investment Manager, are subject to common control by another entity.

18. Financial risk management

The Group's financial instruments consist mainly of deposits with banks, loans and receivables, accounts receivable and payable, and loans to and from related parties.

The totals for each category of financial instruments, measured in accordance with AASB 9, Financial Instruments as detailed in the accounting policies to these financial statements, are as follows:

	2023 $	2022 $
Financial assets		
Cash and cash equivalents	957,780	1,210,739
Trade and other receivables	333,917	293,353
Investment property	3,023,604	2,798,541
Shared equity investments	25,405,709	17,998,880
Total financial assets	**29,721,010**	**22,301,513**
Financial liabilities		
Financial liabilities at amortised cost		
- Trade and other payables	72,067	294,959
- Unpaid trust distributions	509,872	474,196
- Funding facility	1,123,858	1,146,821
Total financial liabilities	**1,705,797**	**1,915,976**

Financial risk management policies

The Group is exposed to a variety of financial risks as a result of its activities. These risks include credit risk, interest rate risk (market risk) and liquidity risk. The Investment Manager is responsible, under the Investment Management Agreement, for managing these and other risks relevant to the Group. The Group's risk management framework, approved by the directors of the Responsible Entity, aims to assist the Group in meeting its financial targets while minimising the potential adverse effects of these risks on the Group's financial performance. There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Responsible Entity's objectives, policies, and processes for managing or measuring the risks from the previous period.

a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties that could lead to a financial loss to the Group. The Group's objective in managing credit risk is to minimise the credit losses incurred against loans and receivables as well as on trade and other receivables.

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

18. Financial risk management (continued)

Financial risk management policies (continued)

a) Credit risk (continued)

Credit risk is managed by the Group through the Investment Manager maintaining procedures that ensure, to the extent possible, that clients and counterparties are subject to a credit assessment by independent credit-history reporting agencies, which adopts prime credit risk criteria for each investment as defined by the Group's Product Disclosure Statement. To this end, the financial stability of clients and counterparties is monitored and assessed on a regular basis by the Investment Manager. Such monitoring is used in assessing receivables and financial assets for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual contracts.

Credit risk exposure

The Group's maximum credit risk exposure at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Consolidated Statement of Financial Position. Refer to Note 6(a) to these financial statements for further details on the Group's exposure to credit risk arising from financial assets and trade receivables.

Credit quality

Loans and receivables and Trade receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 6.

The Group applies an expected credit loss model in order to determine any allowance for expected credit losses. This model uses historical and forward-looking information to determine a probability weighted expected credit loss, using inputs such as probability of default (PD), exposure at default (EAD) and loss given default (LGD). Inputs, assumptions and techniques used in impairment assessment are discussed in note 2c(iv).

Regarding cash and cash equivalents, the Group invests only with reputable financial institutions with the amounts invested are as follows:

The Group's maximum exposure of credit risk at the reporting date was:

	Note	2023 $	2022 $
Cash and cash equivalents	5	957,780	1,210,739
Trade and other receivables	6	333,917	293,353
Shared equity investments	10	25,405,709	17,998,880
		26,697,406	19,502,972

The aging of the Group's financial assets – shared equity investment at the reporting date are as follows. The balances below are based on contractual receivable rather than the fair value.

	Note	30 June 2023 Gross $	30 June 2023 Impairment $	30 June 2022 Gross $	30 June 2022 Impairment $
Not past due	10	23,290,166	-	16,822,623	-
Past due 0 – 30 days		-	-	-	-
Past due 31 – 60 days		-	-	-	-
Past due 61 – 90 days		-	-	-	-
Past due for more than 90 days		-	-	-	-
		23,290,166	-	**16,822,623**	-

Collateral and other credit enhancements

The Group's loan assessment policy is based on strict prime credit criteria as described in Note 6(a) and property security is used as collateral. Collateral over the property is held via registered second mortgage on each property. The fair value of the collateral is supported by independent valuations of each property. The Investment Manager is responsible for monitoring the arrangements.

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

18. Financial risk management (continued)

Financial risk management policies (continued)

a) Credit risk (continued)

The Group accepts collateral if they meet suitable valuation parameters determined by the Investment Manager, which it considers are conservative, reviewed regularly and supported by empirical evidence. The balances below are based on contractual receivable rather than the fair value.

	30 June 2023			30 June 2022		
LVR Profile	**Total no. of Loans**	**Total % of Portfolio**	**Outstanding Loans $**	**Total no. of Loans**	**Total % of Portfolio**	**Outstanding Loans $**
Under 10%	-	-	-	2	0.76%	127,945
10% - 20%	39	20.36%	4,740,269	32	20.21%	3,400,574
20% - 30%	139	75.63%	17,614,395	101	77.38%	13,016,637
30% - 40%	1	0.52%	121,277	2	1.65%	277,467
40% - 50%	2	2.74%	638,803	-	-	-
50% - 60%	-	-	-	-	-	-
60% - 70%	1	0.75%	175,422	-	-	-
70% - 80%	-	-	-	-	-	-
80% - 90%	-	-	-	-	-	-
90% - 100%	-	-	-	-	-	-
	182	**100%**	**23,290,166**	**137**	**100%**	**16,822,623**

Concentration of loans

	2023 $	**2022 $**
i) Loans to individual or related groups which exceed 10% of total equity	23,290,166	16,822,623
ii) Geographical concentrations:		
NSW	8,949,827	5,765,657
QLD	7,192,561	5,299,968
WA	5,178,382	4,219,763
NT	573,227	506,235
TAS	311,300	249,633
SA	483,394	398,732
VIC	601,475	382,634
	23,290,166	**16,822,623**

b) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities as they fall due. The Investment Manager manages this risk for the Group through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets; and
- only investing surplus cash with major financial institutions.

Distributions will be paid from the Group income.

The income generated from the financial assets is received in cash in the form of interest on a monthly basis directly into the cash account.

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

18. Financial risk management (continued)

Financial risk management policies (continued)

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises other price risk, interest rate risk and foreign currency risk. The Group is not currently exposed to material other price risk or foreign currency risk as it presently holds no financial instruments measured in a foreign currency. The shared equity investment is held at fair value and is subject to market risk such as fluctuations in the residential property market.

The table in Note 17(d) summarises the sensitivity of the Group's assets and liabilities to price risk. The analysis is based on the assumptions that the markets in which the Group invests increased/(decreased) by 10% (30 June 2022: 10%). The impact mainly arises from the possible change in the fair value of residential property prices.

Interest rate risk
Interest rate risk is the risk that either the fair value of a financial instrument will fluctuate due to changes in future market interest rates (in the case of fixed rate instruments) or future changes in interest rates will affect the future cash flows (in the case of variable interest instruments). The interest-bearing financial instruments the Group holds are cash and cash equivalents and financial assets. The financial assets include fixed and shared equity investments which are invested at a fixed rate for three years.

Exposure to interest rate risk
As at the reporting date the exposure to interest rate risk and the effective weighted average interest rate by maturity is as follows:

30 June 2023	Floating Interest Rate $	1 year or less $	1 to 5 years $	More than 5 years $	Non - Interest bearing $	Total $
Assets						
Cash and cash equivalents	957,780	-	-	-	-	957,780
Trade and other receivables	-	-	-	-	333,917	333,917
Investment property	-	-	-	-	3,023,604	3,023,604
Shared equity investments	-	145,153	23,145,013	-	2,115,543	25,405,709
Total financial assets	**957,780**	**145,153**	**23,145,013**	**-**	**5,473,064**	**29,721,010**
Liabilities						
Trade and other payables	-	-	-	-	72,067	72,067
Distribution payable	-	-	-	-	509,872	509,872
Debt funding – Advantedge	-	-	431,358	-	-	431,358
Debt funding – Axis	-	-	692,500	-	-	692,500
Total financial liabilities	**-**	**-**	**1,123,858**	**-**	**581,939**	**1,705,797**

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

18. Financial risk management (continued)

Financial risk management policies (continued)

c) Market risk (continued)

30 June 2022	Floating Interest Rate $	1 year or less $	1 to 5 years $	More than 5 years $	Non - Interest bearing $	Total $
Assets						
Cash and cash equivalents	1,210,739	-	-	-	-	1,210,739
Trade and other receivables	-	-	-	-	293,353	293,353
Investment property					2,798,541	2,798,541
Shared equity investments	-	-	17,998,880	-	-	17,998,880
Total financial assets	**1,210,739**	**-**	**17,998,880**	**-**	**3,091,894**	**22,301,513**
Liabilities						
Trade and other payables	-	-	-	-	294,959	294,959
Distribution payable	-	-	-	-	474,196	474,196
Debt funding – Diversity	-	260,903	-	-	-	260,903
Debt funding – Xenjon	-	150,000	-	-	-	150,000
Debt funding – HAS	-	2,025	-	-	-	2,025
Debt funding – Advantedge	-	-	87,773	-	-	87,773
Debt funding – Axis	-	-	646,120	-	-	646,120
Total financial liabilities	**-**	**412,928**	**733,893**	**-**	**769,155**	**1,915,976**

The Responsible Entity also manages the Group's interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms.

The table in Note 18(d) summarises the impact of an increase/decrease of interest rates on the Group's loss/profit and net assets attributable to unitholders through changes in fair value or changes in future cash flows. The analysis is based on the assumption that interest rates changed by +/-300 basis points (2022: +/-300 basis points) from the year end rates with all other variables held constant.

As the Group does not hold any equity investment or assets and liabilities in foreign currencies, the Group does not consider that it has exposure to equity price risk or currency risk.

d) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's loss/profit and net assets attributable to unitholders to interest rate risk and other price risk. 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 interest rates and property prices, 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 unusual market movements resulting from changes in the performance of the economies, markets and the assets in which the Group invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Price Risk		Interest rate risk	
	Impact on profit/Net assets attributable to unitholders			
	-10%	**+10%**	**-300bps**	**+300bps**
30 June 2023 - $	(513,915)	513,915	(693,723)	693,723
30 June 2022 - $	(117,558)	117,558	(506,616)	506,616

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

18. Financial risk management (continued)

Financial risk management policies (continued)

e) Fair values

Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties to an arm's length transaction. Due to the short-term nature of settlement, the carrying amounts of trade receivables, trade and other payables, and distributions payable approximate their fair values as presented in the Consolidated Statement of Financial Position. Fair value of derivatives and investment property is disclosed in note 10 and note 8, respectively.

19. Events after the reporting period

In September 2023, an ASIC statement of concerns was issued relating to concerns surrounding the Target Market Determination ("TMD") disclosures for the Fund. Up until the concerns were addressed, ASIC issued a stop order on the Fund. As of the date of signing, all concerns raised by ASIC were addressed and the Fund was reopened to accept applications. Amendments were made to the TMD relating to recategorisation of risks and limiting offering of the Fund to only wholesale/institutional investors and any retail investors applying via a financial planner/advisor. There were no changes made to the Constitution and Product Disclosure Statement of the Fund.

There have been no other matter or circumstance that significantly affects or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Directors' Declaration

The directors of the Responsible Entity declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached consolidated financial statements are in compliance with International Financial Reporting Standards, as stated in Note 2(a) to the consolidated financial statements; and

(c) in the directors' opinion, the attached consolidated financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the consolidated financial position and performance of the Group.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to Section 295(4) of the *Corporations Act 2001*.

On behalf of the directors of the Responsible Entity, K2 Asset Management Ltd.

Hollie Wight
Director
20 October 2023

Independent Auditor's Report

To the unitholders of Storehouse Residential Trust

Opinion

We have audited the ***Financial Report*** of Storehouse Residential Trust (the Trust).

In our opinion, the accompanying Financial Report of the Trust is in accordance with the *Corporations Act 2001*, including:

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

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2023
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Trust and the entities it controlled as at the year end 30 June 2023.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other Information

Other Information is financial and non-financial information in Storehouse Residential Trust's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of K2 Asset Management Ltd (the Responsible Entity) are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of K2 Asset Management Ltd (the Responsible Entity) are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and is appropriate to meet the requirements of the *Corporations Act 2001.*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Trust's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Chris Wooden

Partner

Melbourne

20 October 2023