



IFM International Private Equity Fund III

ABN: 21 393 445 075

Financial Statements and Independent Auditor's Report

for the year ended 30 June 2022

Contents to the financial statements

FOR THE YEAR ENDED 30 JUNE 2022

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Trustee's report

FOR THE YEAR ENDED 30 JUNE 2022

The directors of Industry Funds Investments Ltd (ABN 17 006 883 227) ("the Trustee") submit herewith the financial statements of IFM International Private Equity Fund III ("the Fund") for the financial year ended 30 June 2022.

Directors

The directors of the Trustee in office during or since the end of the financial year are:

Linda Rubinstein (resigned 30 June 2022)

Cath Bowtell (appointed 1 July 2022)

Michael Migro

David Issa

Clothilde Shorten

Felicity Pantelidis

Principal activities

The principal activity during the year for the Fund was the investment of unitholders' funds in line with the investment mandate as performed by IFM Investors Pty Ltd ("the Manager"). There have been no significant changes in the nature of this activity during the year.

Review of operations

The results of the operations of the Fund are disclosed in the statement of profit or loss and other comprehensive income of these financial statements. The loss after tax attributable to unitholders for the year ended 30 June 2022 was \$4,443,821 (2021: profit \$18,371,684).

During the year, the Trustee approved the proposal from the Manager to cancel a portion of undrawn unitholder commitments in the Fund which had been submitted in the prior financial year. The Fund's ability to meet its financial obligations as and when they come due was not contingent on the Trustee's decision.

The impact of the COVID-19 pandemic on the performance of the Fund abated during the first half of the year as global economies gradually reopened and portfolio companies focused on resuming operations. In some instances, portfolio company performance reverted to pre-pandemic levels due to revisions to business plans and strategic initiatives that were successfully implemented to mitigate the impact of the pandemic. However, COVID-19 has impacted certain sectors of the economy more than others, resulting in variation in the pace of recovery across the portfolio.

Fund performance was negatively impacted by the correction that occurred on global public markets during the first half of the year, which flowed through to the share prices of publicly-listed companies that are held in the portfolio, and also to the valuation of privately-held companies that are valued using public market comparables. Performance also reflected a depreciation of the AUD/USD exchange rate throughout the period.

A level of uncertainty remains in terms of the emergence of new variants of COVID-19; the Russia/Ukraine conflict; and the recent tightening of monetary policy by central banks in response to a sharp increase in inflation globally. These factors are expected to result in ongoing uncertainty for the economy and future performance of portfolio companies held in the Fund.

Changes in the state of affairs

Industry Funds Investments Ltd was appointed as the new Trustee, replacing IFM Investors (Nominees) Limited, effective 1 July 2021. There were no other significant changes in the state of the Fund's affairs during the financial year.

Significant events after the balance date

There have been no matters or circumstances not otherwise dealt with in the financial statements, or in the Trustee's report that have significantly affected or may significantly affect the Fund in future financial years.

Trustee's report (continued)

FOR THE YEAR ENDED 30 JUNE 2022

Future developments

The Fund will continue to be managed in accordance with its investment mandate.

Fund information in the directors' report

Following is a list of relevant information:

- Interests in the Fund issued during the year - refer to note 7 within the financial statements;
- Withdrawals from the Fund during the year - refer to note 7 within the financial statements; and
- The value of Fund assets and basis of valuation - refer to statement of financial position and note 2 respectively.

Indemnification and insurance of directors and officers and auditors

During and since the financial year end, insurance arrangements have been in place insuring the directors of the Trustee against a liability incurred as a director, to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Trustee has not otherwise during or since the financial year end, except to the extent permitted by the law, indemnified or agreed to indemnify any officer or auditor of the Trustee or any related body corporate against a liability incurred as such by an officer or auditor.

Signed in accordance with a resolution of the directors:



Director

Melbourne
2 September 2022

IFM International Private Equity Fund III (ABN 21 393 445 075) Report by the RSE Auditor to the unitholders

Opinion

We have audited the financial statements of IFM International Private Equity Fund III (the "RSE") for the year ended 30 June 2022 as set out on pages 8 to 23 attached.

In our opinion the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of IFM International Private Equity Fund III as at 30 June 2022 and the results of its operations, cash flows, changes in equity/reserves and changes in members' benefits for the year ended 30 June 2022.

Basis for Opinion

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

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

Responsibilities of the trustee for the Financial Statements

The RSE's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as the trustee determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the ability of the RSE to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the RSE or cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 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 these financial statements.

As part of an audit in accordance with the Australian Auditing Standards, we exercised professional judgement and maintained professional scepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.
- Obtained 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 RSE's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee
- Concluded on the appropriateness of the trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the RSE'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 statements, or if such disclosures are inadequate, to modify our audit 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 RSE to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicated with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Chester Hii
Partner
Chartered Accountants
Melbourne, 28 September 2022

Trustee's declaration

FOR THE YEAR ENDED 30 JUNE 2022

These financial statements have been prepared to satisfy the trustee directors' reporting requirements under the Trust Deed dated 31 May 2007 (as amended) (the "Trust Deed").

In accordance with a resolution of the Trustee, we state that in the opinion of the directors of Industry Funds Investments Limited as the trustee of IFM International Private Equity Fund III ("the Fund"):

- (a) the accompanying financial statements set out on pages 8 to 23 are properly drawn up so as to present a true and fair view of the state of affairs of the Fund as at 30 June 2022, and of the results of its operations and cashflows for the year then ended in accordance with the Trust Deed, Australian Accounting Standards and other mandatory professional reporting requirements to the extent described in note 2;
- (b) there are reasonable grounds to believe that the Fund shall pay its debts as and when they fall due;
- (c) the operation of the Fund has been conducted in accordance with the Trust Deed; and
- (d) the register of unitholders has, during the year ended 30 June 2022, been properly drawn up so as to give a true account of the unitholders of the Fund.

Signed in accordance with a resolution of the board of directors of Industry Funds Investments Limited (ABN 17 006 883 227).



Director

Melbourne
28 September 2022

Statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	30 June 2022 \$	30 June 2021 \$
Income			
Interest income		201	-
Distribution income		38,061,794	32,185,476
Change in fair value of investments designated as FVTPL	4(c)	(42,387,568)	(8,666,963)
Foreign exchange loss		(281,208)	(159,382)
Total (loss)/income		(4,606,781)	23,359,131
Expenses			
Investment management and advisory fees		304,409	305,335
Interest expense		-	76
Legal fees		11,617	27,327
Auditor's remuneration	3	64,288	65,815
Tax and consulting fees		91,831	475,386
Other expenses		10,273	7,263
Total expenses		482,418	881,202
(Loss)/profit before tax attributable to unitholders		(5,089,199)	22,477,929
Income tax (benefit)/expense	10(a)	(645,378)	4,106,245
(Loss)/profit after tax attributable to unitholders		(4,443,821)	18,371,684
Finance costs attributable to unitholders			
Change in net assets attributable to unitholders		4,443,821	(18,371,684)
(Loss)/profit for the year		-	-
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income attributable to unitholders		-	-

Notes to the financial statements have been included in the accompanying pages.

Statement of financial position

AS AT 30 JUNE 2022

	Notes	30 June 2022 \$	30 June 2021 \$
Assets			
Cash		2,507,735	1,415,482
Receivables	5	13,597	9,742,613
Unlisted managed investment schemes	4(a)	116,609,640	228,784,867
Total assets		119,130,972	239,942,962
Liabilities (excluding liabilities attributable to unitholders)			
Payables	6	155,938	239,456
Current income tax payable		1,406,411	3,562,388
Deferred tax liabilities	10(c)	4,367,375	10,725,483
Total liabilities (excluding liabilities attributable to unitholders)		5,929,724	14,527,327
Net assets attributable to unitholders	7	113,201,248	225,415,635
Liabilities attributable to unitholders		(113,201,248)	(225,415,635)
Net assets		-	-

Notes to the financial statements have been included in the accompanying pages.

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	30 June 2022 \$	30 June 2021 \$
Balance at the beginning of the financial year		-	-
Comprehensive income for the year			
Profit for the year		-	-
Other comprehensive income for the year		-	-
Balance at the end of the financial year		-	-

In accordance with *AASB 132 Financial Instruments: Presentation*, unitholders' funds are classified as a financial liability attributable to unitholders.

Notes to the financial statements have been included in the accompanying pages.

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	30 June 2022 \$	30 June 2021 \$
Cash flows from operating activities			
Interest received		201	-
Distributions and return of capital received		107,849,452	46,392,099
Purchase of investments		-	(5,444)
Expenses paid		(566,947)	(731,946)
Income tax received/(paid)		1,862,563	(10,724,595)
Net cash provided by operating activities		109,145,269	34,930,114
Cash flows from financing activities			
Cash paid on redemptions		(107,770,566)	(43,142,207)
Net cash used in financing activities		(107,770,566)	(43,142,207)
Net change in cash held		1,374,703	(8,212,093)
Cash at beginning of the financial year		1,415,482	9,796,489
Effects of exchange rate changes on the balance of cash held in foreign currencies		(282,450)	(168,914)
Cash at end of the financial year		2,507,735	1,415,482

Notes to the financial statements have been included in the accompanying pages.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2022

1 General information

These financial statements cover IFM International Private Equity Fund III ("the Fund") as an individual entity. The Fund was constituted on 31 May 2007. The Trustee of the Fund is Industry Funds Investments Ltd ("the Trustee").

The principal activity during the year for the Fund was the investment of unitholders' funds in line with the investment mandate.

The financial statements of the Fund for the year ended 30 June 2022 were authorised for issue by the directors of the Trustee on 28 September 2022. The directors of the Trustee have the power to amend and reissue the financial statements.

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

2 Significant accounting policies

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

(a) Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current.

(i) Financial reporting framework

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

(ii) Statement of compliance

The financial statements comply with the recognition and measurement requirements of Australian Accounting Standards and Tier 2 disclosure requirements under AASB 1060 *General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*. Accordingly, the financial statements comply with Australian Accounting Standards - Simplified Disclosures.

(iii) Adoption of new and revised Accounting Standards

The Fund adopted AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities during the current financial reporting period. Accordingly, the Fund prepared its first annual general purpose financial statements in accordance with AASB 1060 for the current reporting period. The Fund had previously complied with the recognition and measurement requirements of all applicable Australian Accounting Standards and therefore the preparation of general purpose financial statements had no material impact to the reported financial position, financial performance and cash flows of the Fund, but has resulted in additional disclosures included in the financial statements relating to financial instruments, income tax and related parties.

In the current period, the Fund adopted all other new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for the current annual reporting period. These new and revised Accounting Standards have not had a material impact on the Fund.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2022

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

(iv) New and revised Accounting Standards in issue but not yet effective

There are no new or revised Accounting Standards in issue that are not yet effective that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

(v) Investment entity

The Fund's objective is to hold multiple investments and have multiple external investors. Ownership interests in the Fund are in the form of issued units which are exposed to variable returns from changes in fair value of the Fund net assets.

The Fund has been deemed to meet the definition of an Investment Entity per AASB 10 Consolidated Financial Statements ("AASB 10") as the following conditions exist:

- The Fund has obtained funds for the purpose of providing investors with investment management services;
- The Fund's business purpose, which was communicated directly to investors, is investing solely for returns from capital appreciation and investment income; and
- The performance of investments made through the Fund are measured and evaluated on a fair value basis.

Since the Fund meets the definition of an Investment Entity per AASB 10, it is required to account for the investments at fair value through profit and loss.

(b) Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with the Fund's accounting policies, described in note 2, requires the Manager to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. These accounting policies have been consistently applied by the Fund.

The estimates and underlying assumptions are reviewed on an ongoing basis. Refer to note 2(e)(i) for information on the valuation methodology and key inputs used in the valuation of financial assets, including those requiring critical judgements or having key sources of estimation uncertainty. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revisions affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Manager continues to monitor the impact of the Novel Coronavirus (COVID-19) pandemic and the Russia-Ukraine conflict, including any associated government restrictions and market volatility which continue to have widespread economic impacts. The Manager has considered the impact of the COVID-19 pandemic and the Russia-Ukraine conflict on the Fund's investments and believes the current valuation method remains appropriate. The Fund's portfolio of financial assets is managed and performance evaluated on a fair value basis, in accordance with the Fund's documented investment strategy.

(c) Income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. Specific revenues are recognised as follows:

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2022

2 Significant accounting policies (continued)

(c) Income (continued)

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Distribution income

Distribution income is recognised as income on the date the unit is quoted ex-distribution.

(d) Income tax

As a Pooled Superannuation Trust (PST), the Fund incurs income tax at the rate of 15%. Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year(s) when the asset and liability gave rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

(e) Financial assets

(i) Classification and measurement

Under AASB 9, there are three principal ways to classify and measure financial assets, as follows:

- Amortised cost;
- Fair value through other comprehensive income ("FVTOCI"); and
- Fair value through profit and loss ("FVTPL").

The appropriate method to use is driven by:

- The entity's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2022

2 Significant accounting policies (continued)

(e) Financial assets (continued)

(i) Classification and measurement (continued)

The Fund's portfolio of financial assets is managed and performance evaluated on a fair value basis, in accordance with the Fund's documented investment strategy. As the Fund's business model does not meet the criteria for assets to be measured at amortised cost or FVTOCI, all financial assets are irrevocably designated at FVTPL, except for receivables which are classified as amortised cost using the effective interest rate method.

Gains and losses arising from changes in the fair value of the financial assets at FVTPL are presented in the statement of profit or loss and comprehensive income within 'Change in fair value of investments designated as FVTPL' in the period in which they arise.

Fair value is the price that would be received to sell an asset or paid to transfer a liability on an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Fund takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for the purpose of fair value measurement, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Fund's objective is to have a diversified, structured portfolio with interests based predominantly in North America, Europe and Asia that provides exposure to all major private equity markets, all major business stages (ranging from early stage venture capital through to mega buyouts), a wide range of industry sectors and a spread of vintage years. The Fund's investments are made by way of unlisted managed investment schemes. These investments can result in exposure to credit risk, market risk, currency risk and liquidity risk for the Fund. Refer to note 2(e)(iv) for information on the Fund's financial risk management. Fair value for the Fund's financial assets is determined as follows:

Unlisted managed investment schemes

The fair value of unlisted managed investment schemes is based on a valuation by the Manager at balance date. In determining a value for unlisted managed investment schemes, the Manager has used the latest available valuations reported by external managers, adjusted for cash flows to the balance date, in accordance with International Private Equity and Venture Capital (IPEV) Valuation Guidelines for valuing fund interests. External managers determine the fair value of their portfolio company investments in accordance with IPEV and/or the relevant accounting standards, and typically give consideration to earnings/financial performance, forecasts/budgeted financial performance, capital structure and the performance of public market comparable companies in assessing fair value.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2022

2 Significant accounting policies (continued)

(e) Financial assets (continued)

(i) Classification and measurement (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Custodian

When required, assets are custodially held by JPMorgan Chase Bank, N.A. (Sydney Branch) acting through its nominee J.P. Morgan Nominees Australia Limited.

(ii) Recoverability of assets classified as amortised cost

For assets classified as amortised cost, which include receivables, the Fund assesses at each reporting date whether the financial assets are 'credit impaired'. 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 assets have occurred. Loss allowances are deducted from the gross carrying amount of the financial asset.

The Fund measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses ("ECLs") if the credit risk on that financial asset has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund measures the loss allowance at an amount equal to 12-month expected credit losses. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the asset based on outstanding balances, days past their due date and the corresponding historical credit losses experienced.

(iii) Derecognition of financial assets

The Fund derecognises financial assets only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another scheme. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(iv) Financial risk management

Credit risk

Credit risk is the potential loss the Fund may incur as a result of the failure of a counterparty or an issuer to make payments according to the terms of a contract. The Fund's exposure to credit risk, at any point in time, is represented by the fair value of the amounts reported as assets at such time.

Market risk

The Fund is also exposed to market risk. This is the risk of potential loss due to the fluctuation in the market value of investments owned. Valuations are independently appraised and obtained. The estimated fair values are predominantly based on the discounted cash flow approach. Because of the inherent uncertainty of valuations, the estimated value may differ significantly from the value that would have been used had a ready market for the securities existed, and the difference could be material.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2022

2 Significant accounting policies (continued)

(e) Financial assets (continued)

(iv) Financial risk management (continued)

Currency risk

Currency risk arises from the possibility that fluctuations in foreign exchange rates will affect the value of investments, including direct or indirect investments in securities in non-Australian companies. The Fund uses derivatives, which include foreign currency forward and foreign currency option contracts to hedge the underlying foreign currency exposures related to investment assets which are denominated in a foreign currency. The Fund does not actively speculate with derivatives.

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. The Fund predominantly invests in unlisted managed investment schemes that are not traded in active markets. As a result, the Fund may not be able to quickly liquidate its investments to meet its short term liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty.

(f) Cash

Cash comprises cash on hand and demand deposits. As at 30 June 2022, the cash balance disclosed in the statement of financial position includes restricted cash of \$332,395 (2021: \$687,669).

(g) Foreign currency

(i) Functional and presentational currency

The Fund's financial statements are expressed in Australian dollars, the presentation currency. The Fund's functional currency is also Australian dollars, which is the main currency in which the Fund's financing, investing and operating activities are primarily transacted. The capital commitments received by the Fund from unitholders are denominated in Australian dollars.

(ii) Transactions and balances

Transactions in foreign currencies are converted to Australian dollars at the rate of exchange applicable at the date of the transaction. Amounts payable and receivable that are outstanding at the balance date and are denominated in foreign currencies have been converted to Australian dollars using the rates of exchange applicable at the end of the financial year.

(h) Goods and services tax ("GST")

When applicable, GST incurred that is not recoverable has been recognised as part of the expense to which it applies. Receivables and payables are stated inclusive of any applicable GST. Income is recognised net of GST to the extent recoverable. Cashflows are included in the statement of cash flows on a gross basis, where applicable.

(i) Receivables

Receivables include amounts for dividends, trust distributions and interest. Dividends and trust distributions are accrued when the right to receive payment is established. Receivables are recognised at amortised cost and are assessed for impairment. Refer note 2(e)(ii) for further details.

Interest is accrued at the end of each reporting period under the effective interest method. Refer note 2(e)(i) for further details.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2022

2 Significant accounting policies (continued)

(j) Payables

Trade creditors and other payables are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services.

(k) Investment management and advisory fees

Investment management and advisory fees are charged to the Fund by the Manager. This is calculated each month as a percentage of the total committed capital of the Fund. Refer to note 11 for further details.

(l) Net assets attributable to unitholders

Under AASB 132 Financial Instruments: Presentation, net assets attributable to unitholders are classified as equity from the date where the following criteria are met:

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

The Fund's puttable financial instruments do not meet the criteria to classify net assets attributable to unitholders as equity. The Fund's units have therefore been classified as a liability and are disclosed in the statement of financial position as "Net assets attributable to unitholders - Liability", while distributions paid are reported as a finance cost in the statement of profit or loss and other comprehensive income. Consequently there are no movements to report in the statement of changes in equity. Further information is provided in note 7.

Unit classes

Each unit confers upon the unitholder an equal interest in the Fund (subject to income entitlements), and is of equal value. A unit does not confer an interest in any particular asset or investment of the Fund. Unitholders have various rights under the Trust Deed, including the right to:

- Receive income distributions;
- Attend and vote at meetings of unitholders; and
- Participate in the termination and winding up of the Fund.

(m) Comparative revisions

Prior year comparative information has been reclassified to reflect current year mapping and presentation where changes have been made. Changes are considered to provide a more meaningful representation of the financial performance and position.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2022

	30 June 2022 \$	30 June 2021 \$
3 Auditor's remuneration		
Deloitte and related network firms		
Audit or review of financial statements	60,545	57,607
Other services		
Tax compliance services	3,743	8,208
	64,288	65,815

The auditor of the Fund is Deloitte Touche Tohmatsu. The above amounts are GST inclusive and net of RITC.

4 Financial assets carried at FVTPL

As at 30 June 2022, the Fund is invested in the IFM International Private Equity Sub-Trust III and the IFM International Private Equity Fund III LLC.

(a) Recognised fair value measurements

The following table presents the Fund's assets and liabilities measured and recognised at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Investments				
Unlisted managed investment schemes	-	-	116,609,640	116,609,640
Total	-	-	116,609,640	116,609,640

2021	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Investments				
Unlisted managed investment schemes	-	-	228,784,867	228,784,867
Total	-	-	228,784,867	228,784,867

	30 June 2022 \$	30 June 2021 \$
(b) Fair value measurements using significant unobservable inputs (level 3)		
Investments		
Opening balance	228,784,867	251,653,009
Unrealised loss on financial assets held at fair value	(42,387,568)	(8,661,519)
Realised loss on financial assets held at fair value	-	(5,444)
Return of capital	(69,787,659)	(14,201,179)
Closing balance	116,609,640	228,784,867

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2022

	30 June 2022 \$	30 June 2021 \$
4 Financial assets carried at FVTPL (continued)		
(c) Change in fair value of investments designated as FVTPL		
Unrealised loss on investments held at FVTPL	(42,387,568)	(8,661,519)
Realised loss on Investments held at FVTPL	-	(5,444)
	<u>(42,387,568)</u>	<u>(8,666,963)</u>
5 Receivables		
Other receivables	-	9,731,272
Interest receivable	19	19
GST receivable	13,578	11,322
	<u>13,597</u>	<u>9,742,613</u>
6 Payables		
Investment management and advisory fees	27,301	27,302
Auditor's remuneration	69,130	66,037
Tax and consulting fees	59,507	146,117
	<u>155,938</u>	<u>239,456</u>

7 Net assets attributable to unitholders

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

2022	Units	\$
Fund unit class		
Opening balance	105,870,637	224,727,966
Unit redemptions	(49,225,815)	(107,770,566)
Change in net assets attributable to unitholders		(4,088,547)
Closing balance	<u>56,644,822</u>	<u>112,868,853</u>
Operational risk financial requirement		
Opening balance		687,669
Change in net assets attributable to unitholders		(355,274)
Closing balance		<u>332,395</u>
Net assets attributable to unitholders		<u><u>113,201,248</u></u>

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2022

7 Net assets attributable to unitholders (continued)

2021	Units	\$
Fund unit class		
Opening balance	127,471,056	249,447,486
Unit redemptions	(21,600,419)	(43,142,207)
Change in net assets attributable to unitholders		18,422,687
Closing balance	105,870,637	224,727,966
Operational risk financial requirement		
Opening balance		738,672
Change in net assets attributable to unitholders		(51,003)
Closing balance		687,669
Net assets attributable to unitholders		225,415,635

The Fund established a separately identifiable bank account to maintain a cash reserve in response to the operational risk financial requirement introduced into the Superannuation Industry (Supervision) Act 1993 from 1 July 2013. This ORFR is operated in accordance with the Trustee's Capital Management Policy with the purpose of providing funding for losses caused by an operational risk event relating to the Fund. The ORFR is funded through the retention of Fund earnings and will be managed by the Manager in accordance with the Capital Management Policy. The ORFR reserve balance was 0.29% of net assets at 30 June 2022 (2021: 0.31%).

8 Total expense ratio ("TER")

The TER of the Fund is shown in the table below, which is calculated as TER related expenses divided by the Fund's average net asset value during the year. TER related expenses are those incurred directly in the operation of the Fund (excluding transaction expenses relating to the purchase or sale of assets of the Fund such as brokerage, government taxes and other transaction charges) and those incurred indirectly in other managed investment schemes. The calculations are not prepared based on GAAP measures.

	30 June 2022	30 June 2021
	\$	\$
TER related expenses incurred by the Fund	482,418	881,202
TER related expenses incurred indirectly through investments in other managed investment schemes	3,837,985	4,792,975
	4,320,403	5,674,177
	%	%
TER	2.48	2.45

9 Investment commitments

As at balance date, the Fund has the following estimated commitments of investment expenditure which have not been provided for in the financial statements. These are covered by funding commitments by existing unitholders within the Fund:

	\$	\$
Current commitments	12,490,504	20,385,791

These amounts represent undrawn unitholder commitments at the investee fund level. As at 30 June 2022, investor commitments in the Fund are \$53,077,705 (2021: \$176,523,960).

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2022

	30 June 2022 \$	30 June 2021 \$
10 Income tax		
(a) Income tax (benefit)/expense comprises:		
Current tax expense		
Current year	5,406,007	4,397,004
Adjustments in respect of prior years	306,724	1,008,114
	<u>5,712,731</u>	<u>5,405,118</u>
Deferred tax benefit		
Origination and reversal of temporary differences	(6,358,109)	(1,298,873)
	<u>(6,358,109)</u>	<u>(1,298,873)</u>
	<u>(645,378)</u>	<u>4,106,245</u>
(b) Reconciliation of prima-facie income tax to tax expense		
Profit before tax	(5,089,199)	22,477,929
Tax at the rate of 15% (2021: 15%)	(763,380)	3,371,689
Non-deductible expenses	1,743	4,099
Tax effect of tax credits	(190,465)	(276,534)
Change in temporary differences	6,358,109	1,297,750
	<u>5,406,007</u>	<u>4,397,004</u>
(c) Deferred tax		
Deferred tax liabilities comprise:		
Temporary differences - accrued expenses	(8,421)	(10,251)
Temporary differences - unrealised gains	4,375,796	10,735,734
	<u>4,367,375</u>	<u>10,725,483</u>

Analysis of deferred tax liabilities:

The following are the major deferred tax liabilities and assets recognised by the Fund and movements thereon during the current and prior reporting period.

2022	Revaluation of assets \$	Accruals \$	Total \$	Deferred tax provision \$
Opening balance	71,571,556	(68,338)	71,503,218	10,725,483
Amounts recognised in profit or loss	(42,386,325)	(1,064)	(42,387,389)	(6,358,108)
Closing balance	<u>29,185,231</u>	<u>(69,402)</u>	<u>29,115,829</u>	<u>4,367,375</u>

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2022

10 Income tax (continued)

(c) Deferred tax (continued)

Analysis of deferred tax liabilities (continued):

2021	Revaluation of assets	Accruals	Total	Deferred tax provision
	\$	\$	\$	\$
Opening balance	80,223,543	(61,165)	80,162,378	12,024,357
Amounts recognised in profit or loss	(8,651,987)	(7,173)	(8,659,160)	(1,298,874)
Closing balance	71,571,556	(68,338)	71,503,218	10,725,483

Unrecognised deferred tax assets or liabilities:

As at 30 June 2022 and 30 June 2021, the Fund did not have unrecognised deferred tax assets and liabilities.

11 Related parties

The Trustee is a wholly owned subsidiary of the ultimate controlling party, Industry Super Holdings Pty Ltd, while the beneficial interest of the Fund is retained by the unitholders. IFM International Private Equity Sub-Trust III ("IPEST III") and IFM International Private Equity Fund III, LLC ("IPEF III") are subsidiaries of the Fund.

Trustee fees

During the year, there were no transactions with the Trustee. No remuneration was received by the Trustee from the Fund in the current or prior year. The Trustee charges the Manager for trustee services provided and these fees are not directly recovered from the Fund. The Manager charges the Fund investment management and advisory fees, which incorporate all services provided.

Net distribution of income and return of capital

Net income distribution and return of capital received from IPEST III and IPEF III for the year were \$107,849,453 (2021: \$46,397,543). There were no distributions receivable from IPEST III and IPEF III as at 30 June 2022 and 30 June 2021.

Investment management and advisory fees

Investment management and advisory services of the Fund are provided by the Manager, which has the same ultimate controlling party as the Trustee. For the year ended 30 June 2022, the Manager charged the Fund \$304,409 for investment management and advisory services (2021: \$305,335). Fees outstanding to the Manager as at 30 June 2022 were \$27,301 (2021: \$27,302).

Director fees

Key management personnel of the Trustee are not directly remunerated out of the assets of the Fund.

12 Contingent assets, liabilities and commitments

Other than those disclosed under note 9 (investment commitments), there are no outstanding contingent assets, liabilities or commitments as at 30 June 2022 (2021: nil).

13 Subsequent events

Subsequent to the year end, the Trustee has evaluated events and transactions for the potential recognition or disclosure through to the date the Trustee's declaration was signed and has determined that there have been no matters or circumstances not otherwise dealt with in the financial statements, or Trustee's report that have significantly affected or may affect the Fund.