

Nikko AM New Asia Fund

ARSN 116 556 113

Financial report – For the period from 1 July 2022 to 1 June 2023



YARRA
CAPITAL MANAGEMENT

Nikko AM New Asia Fund

ARSN 116 556 113

Annual financial report - For the period from 1 July 2022 to 1 June 2023

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Directors' report

The directors of Yarra Funds Management Limited (ABN: 63 005 885 567; AFSL: 230251), the responsible entity ("Responsible Entity") of the Nikko AM New Asia Fund (the "Scheme"), present their report together with the annual financial report of the Scheme for the period from 1 July 2022 to 1 June 2023.

Principal activities

During the period, the Scheme continued to invest in accordance with the provisions of its Constitution and Product Disclosure Statement up until the date of which the Responsible Entity approved the wind up of the Scheme, being 1 June 2023. Investments in each class of asset were maintained within the stated allocation ranges.

The key asset category was listed equity securities. Investment assets were realised and transferred to cash prior to termination, and all amounts distributed ahead of termination date.

The Scheme did not have any employees during the period.

Directors

The following persons held office as directors of Yarra Funds Management Limited during the period from 1 July 2022 to the date of this report:

Priscilla Boreham	
Roy Keenan	
Jennifer Horrigan	
Vito D'Introno	(Resigned 1 May 2023)
Naomi Edwards	(Appointed 1 May 2023)
Edward Eason	(Appointed 1 May 2023)

Review and results of operations

During the period, the Scheme continued to invest in accordance with target asset allocations as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

Results

	Period 1 July 2022 to 1 June 2023 \$	Year ended 30 June 2022 \$
Operating profit/(loss)	<u>(1,111,598)</u>	<u>(3,393,000)</u>
Distribution paid and payable	<u>4,420,992</u>	<u>1,011,000</u>
Distributions - cents per unit (CPU)	<u>175.3073</u>	<u>11.9149</u>

The Responsible Entity approved to wind up the Scheme effective 19 December 2022. The Scheme commenced to wind up and liquidate its assets on 19 February 2023 following the expiry of the termination notice period to unitholders. The Scheme returned final proceeds to unitholders effective 5 May 2023, with the Scheme's bank accounts closed effective 1 June 2023. As a result of the termination, the financial report of the Scheme has been prepared on a basis other than going concern.

Directors' report (continued)

Significant changes in state of affairs

On 19 December 2022, the Responsible Entity resolved to terminate the Scheme. The going concern basis of preparation is no longer appropriate and the financial report has been prepared on a basis other than going concern.

On 20 March 2023, the responsibility for the Scheme was transferred from Yarra Investment Management Limited to Yarra Funds Management Limited, following Yarra Investment Management Limited's cessation of regulated activities and return of its Australian Financial Services License. The relationship and arrangements under the Responsible Entity agreement remained consistent throughout the period.

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

Post balance date events

No matter or circumstance has arisen since the period ending 1 June 2023, that has significantly affected or may significantly affect:

- (i) the results of those operations in future financial periods; or
- (ii) the state of affairs of the Scheme in future financial periods.

Likely developments and expected results of operations

Given the termination of the Scheme on 1 June 2023, there will be no likely developments or future operations of the Scheme.

Indemnification and insurance of the Responsible Entity, directors and auditors

No insurance premiums were paid for out of the assets of the Scheme in regards to insurance cover provided to the Responsible Entity, directors or the auditors of the Scheme. As long as the Responsible Entity acted in accordance with the Scheme's Constitution and the Law, the Responsible Entity remained fully indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme were in no way indemnified out of the assets of the Scheme.

Fees paid to and interests held in the Scheme by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Scheme property during the period are disclosed in note 12.

No fees were paid out of Scheme property to the directors of the Responsible Entity during the period.

Directors' report (continued)

Environmental regulation

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

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 6.

This report is made in accordance with a resolution of the directors.



Roy Keenan
Director

Melbourne
25 September 2023

26 September 2023

The Board of Directors of
Yarra Investment Management Limited as Responsible Entity for
Nikko AM New Asia Fund
Level 19, 101 Collins Street
Melbourne VIC 3000

Dear Board Members,

Independence Declaration – Nikko AM New Asia Fund

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Yarra Funds Management Limited as the Responsible Entity of the Nikko AM New Asia Fund.

As lead audit partner for the audit of the financial report of Nikko AM New Asia Fund for the period ended 1 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Adam Kuziow
Partner
Chartered Accountants

Statement of comprehensive income

	Notes	Period 1 July 2022 to 1 June 2023 \$	Year ended 30 June 2022 \$
Investment income			
Interest income		10,491	-
Dividend income		85,471	206,000
Other income		31	-
Net gains/(losses) on foreign exchange		9,211	2,000
Net gains/(losses) on financial instruments at fair value through profit or loss	5	<u>(1,042,038)</u>	<u>(3,281,000)</u>
Total net investment income/(loss)		<u>(936,834)</u>	<u>(3,073,000)</u>
Expenses			
Responsible Entity's fees	12	55,721	197,000
Transaction costs		50,182	65,000
Withholding taxes expense		46,307	36,000
Other expenses		22,554	22,000
Total expenses		<u>174,764</u>	<u>320,000</u>
Operating profit/(loss)		<u>(1,111,598)</u>	<u>(3,393,000)</u>
Profit/(loss) for the period/year		<u>(1,111,598)</u>	<u>(3,393,000)</u>
Other comprehensive income for the period/year		-	-
Total comprehensive income/(loss) for the period/year		<u>(1,111,598)</u>	<u>(3,393,000)</u>

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

Statement of financial position

		As at	
		1 June	30 June
		2023	2022
	Notes	\$	\$
Assets			
Cash and cash equivalents	7	-	1,190,000
Receivables		-	54,000
Financial assets at fair value through profit or loss	6	-	15,927,000
Total assets		-	17,171,000
Liabilities			
Distributions payables		-	1,011,000
Payables		-	131,000
Total liabilities		-	1,142,000
Net assets attributable to unitholders - equity	3	-	16,029,000

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

Statement of changes in equity

	Notes	Period 1 July 2022 to 1 June 2023 \$	Year ended 30 June 2022 \$
Total equity at the beginning of the period/year		16,029,000	-
Reclassification due to AMIT Tax Regime reassessment*	3	-	18,350,000
Comprehensive income for the period/year			
Profit/(loss) for the period/year		(1,111,598)	(3,393,000)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the period/year		14,917,402	(3,393,000)
Transactions with unitholders			
Applications	3	10,472,032	635,000
Redemptions	3	(20,995,475)	(1,166,000)
Units issued upon reinvestment of distributions	3	27,033	2,614,000
Distributions paid and payable	3	(4,420,992)	(1,011,000)
Total transactions with unitholders		(14,917,402)	1,072,000
Total equity at the end of the period/year		-	16,029,000

*Effective from 1 July 2021, the Scheme's units have been reclassified from a financial liability to equity. Refer to note 3 for further details.

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

Statement of cash flows

	Period 1 July 2022 to 1 June 2023 \$	Year ended 30 June 2022 \$
Cash flows from operating activities		
Proceeds from sale of financial instruments at fair value through profit or loss	18,564,579	14,486,000
Purchase of financial instruments at fair value through profit or loss	(3,801,316)	(11,971,000)
Interest received	10,491	-
Dividend received	110,615	179,000
Payment of expenses	(151,286)	(207,000)
Net cash inflow/(outflow) from operating activities	8(a) <u>14,733,083</u>	<u>2,487,000</u>
Cash flows from financing activities		
Proceeds from applications by unitholders	10,472,032	635,000
Payments for redemptions by unitholders	(20,995,475)	(1,166,000)
Distributions paid to unitholders	(5,404,959)	(1,147,000)
Net cash inflow/(outflow) from financing activities	<u>(15,928,402)</u>	<u>(1,678,000)</u>
Net increase/(decrease) in cash and cash equivalents	(1,195,319)	809,000
Cash and cash equivalents at the beginning of the period/year	1,190,000	379,000
Effect of foreign currency exchange rate changes on cash and cash equivalents	5,319	2,000
Cash and cash equivalents at the end of the period/year	<u>-</u>	<u>1,190,000</u>
Non-cash financing activities	8(b) 27,033	2,614,000

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

1 General information

The annual financial report covers the Nikko AM New Asia Fund (the "Scheme") as an individual entity.

The for-profit Scheme was constituted on 5 October 2005. On 19 December 2022, the Responsible Entity approved the wind up of the Scheme. The Scheme commenced to wind up and liquidate its assets on 19 February 2023 following the expiry of the termination notice period to unitholders. The Scheme returned final proceeds to unitholders effective 5 May 2023, with the Scheme's bank accounts closed effective 1 June 2023. As a result of the termination, the financial report of the Scheme has been prepared on a basis other than going concern.

The Responsible Entity of the Scheme is Yarra Funds Management Limited. The Responsible Entity's registered office is Level 19, 101 Collins Street, Melbourne, Victoria 3000.

On 20 March 2023, the responsibility for the Scheme was transferred from Yarra Investment Management Limited to Yarra Funds Management Limited, following Yarra Investment Management Limited's cessation of regulated activities and return of its Australian Financial Services License. The relationship and arrangements under the Responsible Entity agreement have remained consistent throughout the period.

The annual financial report was authorised for issue by the directors on 25 September 2023. The directors of the Responsible Entity have the power to amend and reissue the annual financial report.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of this annual financial report are set out below. These policies have been consistently applied throughout the period from 1 July 2022 to 1 June 2023.

(a) Basis of preparation

This general purpose annual report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia. Nikko AM New Asia Fund is a for-profit unit trust for the purpose of preparing the annual financial report. As the Scheme was terminated on 1 June 2023, the going concern basis of preparation is no longer appropriate and the financial report was prepared on a basis other than going concern.

The annual financial report was prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

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

Compliance with International Financial Reporting Standards

The annual financial report of the Scheme also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

2 Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification

The Scheme's investments were classified as at fair value through profit or loss.

These were investments in listed equity securities.

(ii) Recognition/derecognition

The Scheme recognised financial assets and financial liabilities on the date it became party to the contractual agreement (trade date) and recognised changes in fair value of the financial assets or financial liabilities from this date. Classification and measurement of securities was driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Investments were derecognised when the right to receive cash flows from the investments had expired or the Scheme had transferred substantially all risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Scheme measured financial instruments at its fair value. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

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

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Scheme is the last traded price and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Scheme recognises the difference in the statement of comprehensive income to reflect a change in factors, including time, that market participants would consider in setting a price.

Further details on how the fair values of financial instruments are determined are disclosed in note 10.

(iv) Offsetting financial instruments

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

(c) Investment income

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

(d) Expenses

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

2 Summary of significant accounting policies (continued)

(e) Distributions

The Scheme distributed its distributable income adjusted for amounts determined by the Responsible Entity in accordance with the Scheme's Constitution, to unitholders in the form of cash or via the issuance of units upon a reinvestment of distributions. The Scheme's distributions are classified as distributions paid and payable in the statement of changes in equity. Distributions paid are included in cash flows from financing activities in the statement of cash flows.

(f) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents included cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Where relevant, bank overdrafts are shown as liabilities in the statement of financial position.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represented the Scheme's main income generating activity.

(g) Receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(c) above. Amounts are generally received within 30 days of being recorded as receivables.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Scheme measured the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Scheme measured the loss allowance at an amount equal to 12-month expected credit losses.

(h) Payables

Payables included liabilities and accrued expenses owing by the Scheme which are unpaid as at the end of the reporting period.

Trades are recorded on trade date, and normally settled in line with market conventions. Purchases of financial instruments that are unsettled at the end of each reporting period are included in payables.

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately on the statement of financial position when unitholders are presently entitled to the distributable income.

All payables were settled prior to commencement of the wind up process leading up to termination of the Scheme on 1 June 2023.

(i) Net assets attributable to unitholders

The units in the Scheme represented puttable financial instruments and were redeemable at the unitholders' option, however, redemptions may have been suspended by the Responsible Entity if it is in the best interests of the unitholders.

The units were carried at the redemption amount that was payable at the statement of financial position date if the unitholder exercised the right to put the unit back to the Scheme. This amount represented the expected cash flows on redemption of these units.

2 Summary of significant accounting policies (continued)

(i) Net assets attributable to unitholders (continued)

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Scheme'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 Scheme, and it is not a contract settled in the Scheme's own equity instruments; and
- the total expected cash flows attributed to the puttable financial instrument over the life are based substantially on the profit or loss.

The units in the Scheme satisfied these requirements, and consequently net assets attributable to unitholders are classified as equity. Units in the Scheme can generally be redeemed at any time for cash equal to a proportionate share of the Scheme's net asset values, subject to restrictions on withdrawals as disclosed in the governing documents.

(j) Applications and redemptions

Applications received for units in the Scheme are recorded net of any entry fees payable where applicable, prior to the issue of units in the Scheme. Redemptions from the Scheme are recorded gross of any exit fees payable where applicable, after the cancellation of units redeemed.

(k) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances, the GST is recognised as part of the cost of acquisition of the assets or as part of the expense.

With respect to disclosures in the statement of financial position, payables are stated with the amount of GST included, while the net amount of GST recoverable from the ATO is included as a receivable.

Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(l) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the statement of comprehensive income on a net basis within net gains/(losses) on financial instruments at fair value through profit or loss.

2 Summary of significant accounting policies (continued)

(m) Use of judgements and estimates

The preparation of the financial report in conformity with Australian Accounting Standards requires the Responsible Entity to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from the judgements and estimates made and assumptions applied.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In the process of preparing the financial report of the Scheme and in the application of the Scheme's accounting policies, the Responsible Entity is of the opinion that there are no areas of significant estimation uncertainty or material judgement that have been exercised and is expected to have a significant effect on the amounts recognised within the financial report.

(n) Income tax

Under current legislation, the Scheme was not subject to income tax provided it attributed the entirety of its taxable income to its unitholders.

The benefit of imputation credits and foreign tax paid was passed on to unitholders.

(o) New accounting standards and interpretations

(i) New and amended standards adopted by the Scheme

There are no standards, interpretations or amendments to existing standards that are effective for the first time for financial reporting period ended 1 June 2023 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

3 Net assets attributable to unitholders

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. In accordance with AASB 132, the units in the Scheme are classified as equity as they meet all the required features and conditions therein.

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

	As at			
	1 June 2023	30 June 2022	1 June 2023	30 June 2022
	No. of units	No. of units	\$	\$
Opening balance	8,483,000	7,637,000	16,029,000	18,350,000
Applications	5,996,816	269,000	10,472,032	635,000
Redemptions	(14,494,142)	(511,000)	(20,995,475)	(1,166,000)
Units issued upon reinvestment of distributions	14,326	-	27,033	2,614,000
Distributions paid and payable	-	-	(4,420,992)	(1,011,000)
Profit/(loss) for the period/year	-	-	(1,111,598)	(3,393,000)
Closing balance	-	8,483,000	-	16,029,000

As stipulated within the Scheme's Constitution, each unit represented a right to an individual share in the Scheme and does not extend to a right to the underlying assets of the Scheme. There were no separate classes of units and each unit had the same rights attaching to it as all other units of the Scheme.

Capital risk management

The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily redemptions at the discretion of unitholders.

Redemptions were reviewed relative to the liquidity of the Scheme's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Scheme's Constitution, the Responsible Entity has the discretion to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

4 Distributions to unitholders

The distributions paid and payable for the period were as follows:

	Period ended		Year ended	
	1 June 2023	1 June 2023	30 June 2022	30 June 2022
	\$	CPU	\$	CPU
Distribution paid - October	20,992	0.2485	-	-
Distribution paid - February	4,400,000	175.0588	-	-
Distribution payable - June	-	-	1,011,000	11.9149
	4,420,992	175.3073	1,011,000	11.9149

5 Net gains/(losses) on financial instruments at fair value through profit or loss

	Period ended 1 June 2023 \$	Year ended 30 June 2022 \$
Financial assets		
Net gains/(losses) on financial instruments at fair value through profit or loss	(1,042,038)	(3,281,000)
Total net gains/(losses) on financial instruments at fair value through profit or loss	<u>(1,042,038)</u>	<u>(3,281,000)</u>

6 Financial assets at fair value through profit or loss

	1 June 2023 \$	As at 30 June 2022 \$
Financial assets at fair value through profit or loss		
Listed equity securities	-	15,927,000
Total financial assets at fair value through profit or loss	<u>-</u>	<u>15,927,000</u>

7 Cash and cash equivalents

	1 June 2023 \$	As at 30 June 2022 \$
Cash at bank	-	1,190,000

8 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Period ended 1 June 2023 \$	Year ended 30 June 2022 \$
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the period/year	(1,111,598)	(3,393,000)
Proceeds from sale of financial instruments at fair value through profit or loss	18,537,723	14,486,000
Purchase of financial instruments at fair value through profit or loss	(3,699,051)	(11,904,000)
Net (gains)/losses on financial instruments at fair value through profit or loss	1,042,038	3,281,000
Net (gains)/losses on foreign exchange	(9,211)	(2,000)
Transaction costs	50,182	-
Net change in receivables	54,000	10,000
Net change in payables	(131,000)	9,000
Net cash inflow/(outflow) from operating activities	<u>14,733,083</u>	<u>2,487,000</u>
(b) Non-cash financing activities		
During the period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	<u>27,033</u>	<u>2,614,000</u>

9 Financial risk management

The Scheme's assets principally consisted of listed equity securities. It held these investments in accordance with its investment strategy.

The Scheme's investment activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Scheme uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of price, interest rate and foreign exchange risk.

The possible movements in the risk variables presented in the below sensitivity analysis have been determined based on management's best estimate, having regard for a number of factors, including historical changes in security prices. However, actual movements in these risk variables may be more or less significant and historic variations are not a definitive indicator of future variations in the risk variables.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Scheme's risk management framework. The Scheme's overall risk management program focuses on ensuring compliance with the Scheme's Investment Guidelines and seeks to maximise the returns derived for the level of risk to which the Scheme is exposed.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Price risk

The Scheme is exposed to price risk from listed equity securities. This arises from investments held by the Scheme for which prices in the future are uncertain. They are classified on the statement of financial position as at fair value through profit or loss.

(ii) Foreign exchange risk

The Scheme held both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuates due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk not foreign exchange risk. Its policy is not to hedge currency risk, thereby leaving it fully exposed to foreign exchange risk.

The table below summarises the Scheme's monetary and non-monetary assets and liabilities that are denominated in foreign currencies and in Australian dollar as at the periods ended 1 June 2023 and 30 June 2022.

1 June 2023	Hong Kong dollars A\$	Chinese yuan A\$	Taiwan dollars A\$	Indian rupees A\$	Korean won A\$	Other currencies A\$	Total A\$
Financial assets	-	-	-	-	-	-	-
Net assets attributable to unitholders	-	-	-	-	-	-	-

9 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

30 June 2022	Hong Kong dollars A\$	Chinese yuan A\$	Taiwan dollars A\$	Indian rupees A\$	Korean won A\$	Other currencies A\$	Total A\$
Financial assets	5,295,000	3,285,000	2,034,000	1,789,000	1,241,000	2,283,000	15,927,000
Net assets attributable to unitholders	<u>5,295,000</u>	<u>3,285,000</u>	<u>2,034,000</u>	<u>1,789,000</u>	<u>1,241,000</u>	<u>2,283,000</u>	<u>15,927,000</u>

(iii) Interest rate risk

The exposure to interest rate risk for the Scheme is limited to cash and cash equivalents which earn a floating rate of interest. Interest rate risk is therefore considered not material and consequently interest rate sensitivity has not been presented.

Sensitivity analysis

The following table summarises the sensitivity of the Scheme's operating profit/(loss) and net assets attributable to unitholders to price risk and foreign exchange risk. The 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 market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Scheme invested. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

	Impact on operating profit/(loss)/Net assets attributable to unitholders			
	Price risk		Foreign exchange risk	
	-25%	+25%	-20%	+20%
	AUD	AUD	AUD	AUD
	\$	\$	\$	\$
1 June 2023	-	-	-	-
30 June 2022	(3,982,000)	3,982,000	3,496,000	(2,330,000)

In determining the impact of an increase/decrease in net assets attributable to unitholders arising from market risk, the Responsible Entity has considered prior period and expected future movements of the portfolio information in order to determine a reasonably possible shift in assumptions.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

Credit risk is controlled by restricting investments to high quality counterparties. The creditworthiness of all counterparties to the Scheme's list of investments is regularly reviewed. Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. No assets of the Scheme were impaired as at 1 June 2023 or 30 June 2022, and as a result credit risk is not considered to be a significant risk to the Scheme. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

9 Financial risk management (continued)

(b) Credit risk (continued)

(i) Settlement of securities transactions

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once purchase on the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

(ii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A-1 or higher as determined by Standard & Poor's (S&P) (2022: A-1).

In accordance with the Scheme's policy, the Scheme's cash position was monitored on a daily basis.

(iii) Other

The clearing and depository operations for the Scheme's security and derivative transactions were mainly concentrated with one counterparty, Citigroup Pty Ltd (2022: BNP Paribas Securities Services). Citigroup Pty Ltd is a member of a major securities exchange, and at 30 June 2023 had a credit rating of A (S&P) and A3 (Moody's) (2022: BNP Paribas Securities Services; A (S&P) and A3 (Moody's)). At period ending 1 June 2023, substantially all cash and cash equivalents, balances due from broker and investments were held in custody by Citigroup Pty Ltd (2022: BNP Paribas Securities Services).

(b) Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due.

The Scheme was exposed to daily redemptions of redeemable units. It therefore primarily held investments that were traded in an active market and could be readily disposed.

Investments in unlisted unit trusts exposed the Scheme to the risk that the Responsible Entity or investment manager of those trusts may be unable to fulfill the redemption requests within the timeframe requested by the Scheme.

The Scheme maintained adequate liquidity to pay withdrawals and distributions within the timeframes outlined in the Constitution. This was achieved by retaining sufficient liquid assets or access to other forms of liquidity to cover immediate liquidity requirements.

All financial liabilities of the Schemes have contractual maturities of less than 12 months.

10 Fair value measurements

The Scheme measured and recognised the following assets and liabilities at fair value on a recurring basis:

- Financial assets / liabilities at fair value through profit or loss (FVTPL).

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

(a) Fair value hierarchy

Classification of financial assets and financial liabilities

The Scheme classified fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

10 Fair value measurements (continued)

(a) Fair value hierarchy (continued)

Classification of financial assets and financial liabilities (continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

(i) Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Scheme valued its investments in accordance with the accounting policies set out in note 2. For the majority of its investments, the Scheme relies on information provided by independent pricing services for the valuation of its investments.

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

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

(ii) Fair value in an inactive or quoted market

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

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

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

The fair value of derivatives that are not exchange traded is estimated at the amount that the Scheme would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. A forward contract is valued at the forward rate and the fair value of an option contract is determined by applying the Black Scholes option valuation model.

Investments in futures, fixed interest securities, and floating rate notes are recorded at the redemption value per unit as reported by the investment managers of such trusts.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

10 Fair value measurements (continued)

(a) Fair value hierarchy (continued)

(iii) Fair value in an inactive or quoted market (continued)

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 Scheme held.

Recognised fair value measurements

The table below sets out the Scheme's financial assets and liabilities measured at fair value according to the fair value hierarchy as at the periods ending 1 June 2023 and 30 June 2022:

As at 1 June 2023

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
Listed equity securities	-	-	-	-
Total financial assets at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

As at 30 June 2022

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
Listed equity securities	15,927,000	-	-	15,927,000
Total financial assets at fair value through profit or loss	<u>15,927,000</u>	<u>-</u>	<u>-</u>	<u>15,927,000</u>

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, included listed equity securities.

(b) Disclosed fair values

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

(c) Valuation techniques used to derive level 2 and level 3 fair values

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments where available.
- The use of redemption values for investments in other unlisted unit trusts as reported by the investment manager of such trusts.
- The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include use of recent arm's length market transaction, historical transaction values, reference to the current fair value of a substantially similar other instrument that provide a reliable estimate of prices obtained in active market transactions.

11 Remuneration of auditors

During the period the following fees were paid or payable by the Responsible Entity for services provided by the auditor of the Scheme:

	Period ended 1 June 2023 \$	Year ended 30 June 2022 \$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	15,730	11,880
Other assurance services	-	3,630
Total remuneration for audit and other assurance services	<u>15,730</u>	<u>15,510</u>
Total remuneration*	<u>15,730</u>	<u>15,510</u>

* The fees disclosed above are GST inclusive.

12 Related party transactions

Key management personnel unitholdings

At 1 June 2023, no key management personnel held units in the Scheme (30 June 2022: Nil).

Key management personnel compensation

The directors of the Responsible Entity have been paid by a related party of the Responsible Entity. Payments made from the Scheme to the Responsible Entity do not include any amounts directly attributable to the compensation of key management personnel.

Key management personnel loan disclosures

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

Other transactions with key management personnel

No key management personnel have entered into a material contract with the Scheme during the financial period and there were no material contracts involving key management personnel's interests existing at period end.

Responsible Entity's fees and other transactions

All related party transactions were conducted on normal commercial terms and conditions. The transactions during the period and amounts payable at period end between the Scheme and the Responsible Entity were as follows:

	Period ended 1 June 2023 \$	Year ended 30 June 2022 \$
Responsible Entity's fees* earned	55,721	197,228
Responsible Entity's fees* payable	<u>-</u>	<u>29,255</u>

* Includes amounts paid to the Responsible Entity for third party expenses it has incurred, for which it is entitled to be reimbursed.

13 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Scheme disclosed in the statement of financial position as at 1 June 2023 or on the results and cash flows of the Scheme for the period ended on that date.

14 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 1 June 2023 and 30 June 2022.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the annual financial report and notes set out on pages 7 to 24 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Scheme's financial position as at 1 June 2023 and of its performance for the financial period ended on that date; and
- (b) Note 2(a) confirms that the annual financial report complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.



Roy Keenan
Director

Melbourne
25 September 2023

Independent Auditor's Report to the Directors of the Responsible Entity of Nikko AM New Asia Fund

Opinion

We have audited the financial report of Nikko AM New Asia Fund (the "Scheme") which comprises the statement of financial position as at 1 June 2023, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, and notes to the financial statements, including material accounting policy information and other explanatory information, and the Directors' declaration.

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

- giving a true and fair view of the Scheme's financial position as at 1 June 2023 and of its financial performance for the period then ended; and
- complying with Australian Accounting Standards to the extent described in note 2 and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Scheme in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Responsible Entity (the "Directors") of the Scheme, would be in the same terms if given to the Directors as at the time of this auditor's report.

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

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' report, included in the Scheme's financial report for the period ended 1 June 2023, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the ability of the Scheme to continue as a going concern. As disclosed in Note 2, the financial report has been prepared on a non-going concern basis due to the termination of the Scheme on 1 June 2023.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the non-going concern basis of accounting. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in cursive script that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in cursive script that reads "Kuziow".

Adam Kuziow
Partner
Chartered Accountants
Melbourne, 26 September 2023