

The background of the slide features a close-up photograph of a doll and several felt houses. The doll, on the left, is made of grey felt and wears a light-colored dress with a green floral pattern. To its right are three colorful felt houses: one with a red roof and pink walls, another with a blue roof and yellow walls, and a third with a yellow roof and blue walls. The houses are decorated with intricate embroidery, including floral patterns and geometric shapes. A pair of blue-handled scissors is visible in the lower right corner, resting on a green textured surface. The entire scene is overlaid with a semi-transparent dark blue rectangle that serves as a backdrop for the text.

2023

ANNUAL REPORT

Yarra Enhanced Income Fund
Yarra Emerging Leaders Fund

Yarra Enhanced Income Fund (ARSN 104 463 336)
Yarra Emerging Leaders Fund (ARSN 090 046 567)

Annual financial reports - 30 June 2023



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Annual financial reports - 30 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") and the investment manager ("Investment Manager") of the managed investment schemes (the "Schemes") listed below, present their report together with the annual financial reports of the Schemes for the year ended 30 June 2023.

	ARSN
Yarra Enhanced Income Fund	104 463 336
Yarra Emerging Leaders Fund	090 046 567

Principal activities

The Schemes invest in underlying schemes (the "Underlying Schemes") as follows:

- Yarra Enhanced Income Fund maintains its investments in a range of high yielding fixed income and hybrid securities through its investment in the Yarra Enhanced Income Pooled Fund ("the Underlying Scheme") and cash in accordance with the governing documents of the Scheme.
- Yarra Emerging Leaders Fund maintains its investments, through its underlying investment in Yarra Emerging Leaders Pooled Fund ("the Underlying Scheme"), in a range of securities listed on the Australian Securities Exchange, and cash. The Underlying Scheme can utilise derivative financial instruments, such as futures contracts, to gain or reduce market exposure. This is in accordance with the governing documents of the Scheme.

The Schemes did not have any employees during the year.

Directors

The following persons held office as directors of Yarra Funds Management Limited during the year or since the end of the year and up 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)

Directors' report (continued)

Review and results of operations

There have been no significant changes to the operations of the Schemes since the previous financial year.

During the year, the Schemes continued to invest in accordance with target asset allocations as set out in the governing documents of the Schemes and in accordance with the provisions of the Schemes' Constitutions.

The performance of the Schemes, as represented by the results of their operations, are as follows:

Results

	Yarra Enhanced Income Fund		Yarra Emerging Leaders Fund	
	Year ended		Year ended	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Operating profit/(loss)	21,945	(3,800)	14,177	(7,378)
Distributions paid and payable	21,119	7,919	6,830	8,533
Distributions - cents per unit (CPU)	8.8318	7.2839	20.2328	40.4615

Directors' report (continued)

Review and results of operations

	Yarra Enhanced Income Fund		Yarra Emerging Leaders Fund	
	Year ended		Year ended	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
<i>Distributions – Class A</i>				
Distributions paid and payable	2,750	482	1,281	50
Distributions - cents per unit (CPU)	4.5071	3.6980	5.6342	11.2748
<i>Distributions – Class B</i>				
Distributions paid and payable	-	-	5,549	8,483
Distributions - cents per unit (CPU)	-	-	14.5986	29.1867
<i>Distributions – Ordinary Class</i>				
Distributions paid and payable	18,369	7,437	-	-
Distributions - cents per unit (CPU)	4.3246	3.5859	-	-

Recent geo-political uncertainty, including conflict, political uncertainty and related tensions, have significantly impacted financial markets, commodity prices and global trade. Whilst not directly impacted by any such events, the Schemes' assets have been subject to valuation movements as a result of market uncertainties. The Responsible Entity continues to monitor the effects of unfolding events and will continue to actively manage the Schemes' asset portfolios in response to relevant developments.

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Schemes that occurred during the year ended 30 June 2023.

Directors' report (continued)

Combining registered scheme financial reports

The Schemes are of a kind referred to in the *ASIC Corporations (Related Scheme Reports) Instrument 2015/839* issued by the Australian Securities and Investments Commission. This ASIC Corporations Instrument enables the Responsible Entity to combine the financial reports for the Schemes in adjacent columns in a single financial report. Amounts have been combined in the financial reports and the directors' report in accordance with this ASIC Corporations Instrument.

Matters subsequent to the end of the year

No matter or circumstance has arisen since 30 June 2023, that has significantly affected or may significantly affect:

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

Likely developments and expected results of operations

The Schemes will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Schemes and in accordance with the provisions of the Schemes' Constitutions.

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

Indemnification and insurance of the Responsible Entity, directors and auditors

No insurance premiums are paid for out of the assets of the Schemes in regards to insurance cover provided to the Responsible Entity, directors or the auditors of the Schemes. As long as the Responsible Entity acts in accordance with the Schemes' Constitutions and the Law, the Responsible Entity remains fully indemnified out of the assets of the Schemes against losses incurred while acting on behalf of the Schemes. The auditors of the Schemes are in no way indemnified out of the assets of the Schemes.

Directors' report (continued)

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

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

No fees were paid out of Schemes property to the directors of the Responsible Entity during the year.

Environmental regulation

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

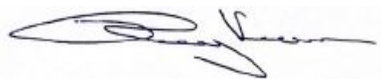
Rounding

The Schemes are of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission relating to the "rounding" of amounts in the directors' report and financial reports. Amounts in the directors' report and financial reports for the Schemes have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise stated.

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 8.

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
Yarra Funds Management Limited as Responsible Entity for
Yarra Enhanced Income Fund; and
Yarra Emerging Leaders Fund
Level 19, 101 Collins Street
Melbourne VIC 3000

Dear Directors,

Auditor's Independence Declaration

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, the Responsible Entity, regarding the financial reports for Yarra Enhanced Income Fund and Yarra Emerging Leaders Fund.

As lead audit partner for the audit of the financial reports of Yarra Enhanced Income Fund and Yarra Emerging Leaders Fund for the financial year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audits; and
- (ii) any applicable code of professional conduct in relation to the audits.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

Yours faithfully

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

Statements of comprehensive income

	Notes	Yarra Enhanced Income Fund		Yarra Emerging Leaders Fund	
		Year ended		Year ended	
		30 June 2023 \$'000	30 June 2022 \$'000	30 June 2023 \$'000	30 June 2022 \$'000
Investment income					
Interest income		1	-	1	-
Trust distributions		23,475	8,964	10,411	8,232
Net gains/(losses) on financial instruments at fair value through profit or loss	5	828	(11,735)	4,847	(14,866)
Total net investment income/(loss)		24,304	(2,771)	15,259	(6,634)
Expenses					
Responsible Entity's fees	12	2,359	1,029	880	595
Administration fee		-	-	202	149
Total expenses		2,359	1,029	1,082	744
Operating profit/(loss)		21,945	(3,800)	14,177	(7,378)
Finance costs attributable to unitholders					
Distributions to unitholders		(21,119)	(7,919)	(6,830)	(8,533)
(Increase)/decrease in net assets attributable to unitholders		(826)	11,719	(7,347)	15,911
Profit/(loss) for the year		-	-	-	-
Other comprehensive income for the year		-	-	-	-
Total comprehensive income/(loss) for the year		-	-	-	-

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

Statements of financial position

		Yarra Enhanced Income Fund		Yarra Emerging Leaders Fund	
		As at		As at	
		30 June	30 June	30 June	30 June
		2023	2022	2023	2022
Notes		\$'000	\$'000	\$'000	\$'000
Assets					
Cash and cash equivalents	7	102	2	50	1
Applications receivable		2,473	684	57	-
Receivables		6,128	3,986	8,758	7,473
Financial assets at fair value through profit or loss	6	572,202	307,927	102,994	60,155
Total assets		580,905	312,599	111,859	67,629
Liabilities					
Distributions payable	4	4,829	2,666	5,617	8,131
Redemptions payable		1,041	394	23	1
Payables		3,189	1,083	368	198
Total liabilities (excluding net assets attributable to unitholders)		9,059	4,143	6,008	8,330
Net assets attributable to unitholders - liability	3	571,846	308,456	105,851	59,299

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

Statements of changes in equity

	Notes	Yarra Enhanced Income Fund		Yarra Emerging Leaders Fund	
		Year ended		Year ended	
		30 June 2023 \$'000	30 June 2022 \$'000	30 June 2023 \$'000	30 June 2022 \$'000
Total equity at the beginning of the year		-	-	-	55,956
Reclassification of units reflecting issuance of new class*	3 & 4	-	-	-	(55,956)
Comprehensive income for the year					
Profit/(loss) for the year		-	-	-	-
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	-	-
Transactions with owners in their capacity as owners		-	-	-	-
Total equity at the end of the year		-	-	-	-

*During the 2022 financial year, Yarra Emerging Leaders Fund issued an additional unit class and became a multi-class fund. Refer to Note 3 and 4 for further details. As a result, equity transactions, including distributions are not disclosed in the above statement for the financial year ended 30 June 2022.

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

Statements of cash flows

	Notes	Yarra Enhanced Income Fund		Yarra Emerging Leaders Fund	
		Year ended		Year ended	
		30 June 2023	30 June 2022	30 June 2023	30 June 2022
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Proceeds from sale of financial instruments at fair value through profit or loss		111,277	49,071	15,909	7,718
Purchase of financial instruments at fair value through profit or loss		(351,577)	(256,866)	(44,711)	(25,540)
Payment of expenses		(2,066)	(780)	(975)	(722)
Net cash inflows/(outflows) from operating activities	8(a)	(242,366)	(208,575)	(29,777)	(18,544)
Cash flows from financing activities					
Proceeds from applications by unitholders		351,559	256,427	44,705	25,494
Payments for redemptions by unitholders		(90,437)	(42,667)	(7,900)	(6,516)
Distributions paid		(18,656)	(5,388)	(6,979)	(434)
Net cash inflows/(outflows) from financing activities		242,466	208,372	29,826	18,544
Net increase/(decrease) in cash and cash equivalents		100	(203)	49	-
Cash and cash equivalents at beginning of the year		2	205	1	1
Cash and cash equivalents at the end of the year	7	102	2	50	1
Non-cash financing activities	8(b)	300	160	2,365	277

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

1 General information

The annual financial reports cover the following schemes ("the Schemes") as individual entities, each constituted pursuant to the following separate Constitutions and limited to a period of 80 years unless terminated earlier under the provisions of their Constitutions:

Schemes	Date of Constitution	Date of Termination
Yarra Enhanced Income Fund	3 June 2003	2 June 2083
Yarra Emerging Leaders Fund	28 October 1994	12 February 2066

The Responsible Entity of the Schemes is Yarra Fund Management Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 19, 101 Collins Street, Melbourne VIC 3000.

The annual financial reports were 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 reports.

2 Summary of significant accounting policies

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

(a) Basis of preparation

This general purpose annual reports have been prepared on a going concern basis in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia. The Schemes are for-profit unit trusts for the purpose of preparing the annual financial reports.

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

The statements of financial position are presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for financial assets and liabilities at fair value through profit or loss and net assets attributable to unitholders. The Schemes manage financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of their portfolios will be realised within 12 months, however, an estimate of that amount cannot be determined as at balance date. In the case of net assets attributable to unitholders, the units are redeemed on demand at the unitholder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Compliance with International Financial Reporting Standards

The annual financial reports of the Schemes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(b) Investment entity

The Schemes are considered to be investment entities in accordance with AASB 10 as:

- (i) the Schemes have obtained funds from unitholders for the purpose of providing them with investment management services;
- (ii) the Schemes' business purposes, which they communicated directly to unitholders, are investing solely for returns from capital appreciation and investment income; and
- (iii) the performance of investments made by the Schemes are measured and evaluated on a fair value basis.

As a result, the Schemes do not consolidate their investments within their financial statements, and instead accounts for them at fair value through profit or loss, as outlined in note 2(c). Although the Schemes only have single investments as at the balance date, those investments are into Underlying Schemes which hold a diverse range of investments in accordance with their strategy.

(c) Financial instruments

(i) Classification

The Schemes' investments are classified as at fair value through profit or loss.

These are investments in unlisted unit trusts.

(ii) Recognition/derecognition

The Schemes recognise financial assets and financial liabilities on the date they become party to the contractual agreement (trade date) and recognise changes in fair value of the financial assets or financial liabilities from this date. Classification and measurement of securities is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Schemes have transferred substantially all risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Schemes measure financial instruments at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statements of comprehensive income.

2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Measurement (continued)

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 statements 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 Schemes are the last traded prices and the quoted market prices for financial liabilities are the current asking prices.

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 Schemes recognise the difference in the statements 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 statements 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.

(d) Investment income

Trust distributions are recognised on an entitlements basis.

(e) Expenses

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

(f) Distributions

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

2 Summary of significant accounting policies (continued)

(g) Cash and cash equivalents

For the purpose of presentation in the statements of cash flows, cash and cash equivalents includes 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 statements 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 represent the Schemes' main income generating activity.

(h) Receivables

Receivables may include amounts for interest and trust distributions. 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(d) 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 Schemes shall measure 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 Schemes shall measure the loss allowance at an amount equal to 12-month expected credit losses.

(i) Payables

Payables include liabilities and accrued expenses owing by the Schemes 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 statements of financial position when unitholders are presently entitled to the distributable income.

(j) Net assets attributable to unitholders

The units in the Schemes represent puttable financial instruments and are redeemable at the unitholders' option, however, redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders.

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

The units are carried at the redemption amount that is payable at the statements of financial position date if the unitholder exercises the right to put the unit back to the Schemes. This amount represents the expected cash flows on redemption of these units.

2 Summary of significant accounting policies (continued)

(j) 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 Schemes' 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 Schemes, and it is not a contract settled in the Schemes' 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 Schemes do not satisfy these requirements, and consequently net assets attributable to unitholders are classified as financial liabilities. Units in the Schemes can generally be redeemed at any time for cash equal to a proportionate share of the Schemes' net asset values, subject to restrictions on withdrawals as disclosed in the governing documents.

(k) Applications and redemptions

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

(l) 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 statements 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 statements of cash flows on a gross basis.

2 Summary of significant accounting policies (continued)

(m) Foreign currency translation

Functional and presentation currency

Items included in the Schemes' annual financial reports 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 Schemes compete for funds, primarily invests and is regulated. The Australian dollar is also the Schemes' presentation currency.

(n) Use of judgements and estimates

The preparation of the financial reports 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 reports of the Schemes and in the application of the Schemes' 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 reports.

(o) Income tax

Under current legislation, the Schemes are not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

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

(p) New accounting standards and interpretations

(i) New and amended standards adopted by the Schemes

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

(ii) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023 and have not been early adopted in preparing this annual financial reports. These new standards, amendments to standards and interpretations are not expected to have a material impact on the future annual financial reports of the Schemes.

2 Summary of significant accounting policies (continued)

(q) Rounding

The Schemes are of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission relating to the "rounding" of amounts in the directors' report and financial reports. Amounts in the directors' report and financial reports for the Schemes have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise stated.

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. As the Schemes both have a multi-class structure with non-identical features, their units do not meet the definition of equity. As such, the Schemes' units have been classified as financial liability.

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

	Yarra Enhanced Income Fund				Yarra Emerging Leaders Fund			
	As at		As at		As at		As at	
	30 June 2023 No. of units (000)	30 June 2022 No. of units (000)	30 June 2023 \$'000	30 June 2022 \$'000	30 June 2023 No. of units (000)	30 June 2022 No. of units (000)	30 June 2023 \$'000	30 June 2022 \$'000
Class A								
Opening balance	21,902	6,899	21,675	7,144	471	-	315	-
Applications	70,452	19,290	70,692	19,600	25,782	471	21,216	408
Redemptions	(8,070)	(4,287)	(8,090)	(4,383)	(783)	-	(664)	-
Units issued upon reinvestment of distributions	-	-	-	-	2	-	1	-
Increase/(decrease) in net assets attributable to unitholders	-	-	(162)	(686)	-	-	144	(93)
Closing balance	84,284	21,902	84,115	21,675	25,472	471	21,012	315

3 Net assets attributable to unitholders (continued)

	Yarra Enhanced Income Fund				Yarra Emerging Leaders Fund			
	As at				As at			
	30 June 2023 No. of units (000)	30 June 2022 No. of units (000)	30 June 2023 \$'000	30 June 2022 \$'000	30 June 2023 No. of units (000)	30 June 2022 No. of units (000)	30 June 2023 \$'000	30 June 2022 \$'000
Class B								
Opening balance	-	-	-	-	29,566	21,961	58,984	55,956
Applications	-	-	-	-	10,765	10,018	23,546	25,086
Redemptions	-	-	-	-	(3,266)	(2,516)	(7,258)	(6,517)
Units issued upon reinvestment of distributions	-	-	-	-	1,178	103	2,364	277
Increase/(decrease) in net assets attributable to unitholders	-	-	-	-	-	-	7,203	(15,818)
Closing balance	-	-	-	-	38,243	29,566	84,839	58,984
	As at				As at			
	30 June 2023 No. of units (000)	30 June 2022 No. of units (000)	30 June 2023 \$'000	30 June 2022 \$'000	30 June 2023 No. of units (000)	30 June 2022 No. of units (000)	30 June 2023 \$'000	30 June 2022 \$'000
Ordinary Class								
Opening balance	300,688	98,906	286,781	98,807	-	-	-	-
Applications	292,501	241,308	282,656	237,512	-	-	-	-
Redemptions	(85,880)	(39,688)	(82,994)	(38,665)	-	-	-	-
Units issued upon reinvestment of distributions	311	162	300	160	-	-	-	-
Increase/(decrease) in net assets attributable to unitholders	-	-	988	(11,033)	-	-	-	-
Closing balance	507,620	300,688	487,731	286,781	-	-	-	-
Total net assets attributable to unitholders			571,846	308,456			105,851	59,299

3 Net assets attributable to unitholders (continued)

As stipulated within the Schemes' Constitutions, each unit represents a right to an individual share in the Schemes and does not extend to a right to the underlying assets of the Schemes. For the year ended 30 June 2023, there were two separate classes of units in each of the Schemes and each unit has the same rights attaching to it as all other units in the same class of the Schemes, except as follows:

- Unitholders of Class A and Ordinary Class units of Yarra Enhanced Income Fund are both entitled to be notified of any general meetings regarding the Scheme, voting rights and distributions. The difference between the classes of units relate to fees as outlined in the Product Disclosure Statement and Additional Information Booklet.
- Unitholders of Class A and Class B units of Yarra Emerging Leaders Fund are both entitled to be notified of any general meetings regarding the Scheme, voting rights and distributions. The difference between the classes of units relate to fees as outlined in the Product Disclosure Statement and Additional Information Booklet.

Capital risk management

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

Applications and redemptions are reviewed relative to the liquidity of the Schemes' underlying assets on a daily basis by the Responsible Entity. Under the terms of the Schemes' Constitutions, the Responsible Entity has the discretion to reject an application for units and 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 year were as follows:

	Yarra Enhanced Income Fund				Yarra Emerging Leaders Fund			
	Year ended				Year ended			
	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June
	2023	2023	2022	2022	2023	2023	2022	2022
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Class A								
Distribution paid - July	74	0.3019	17	0.2603	-	-	-	-
Distribution paid - August	80	0.2704	21	0.2600	-	-	-	-
Distribution paid - September	79	0.2301	23	0.2644	-	-	-	-
Distribution paid - October	102	0.2407	19	0.2602	-	-	-	-
Distribution paid - November	117	0.2513	21	0.2587	-	-	-	-
Distribution paid - December	127	0.2502	23	0.2611	177	1.2972	-	0.7215
Distribution paid - January	210	0.3895	25	0.2598	-	-	-	-
Distribution paid - February	267	0.4269	27	0.2615	-	-	-	-
Distribution paid - March	277	0.3937	34	0.2599	-	-	-	-
Distribution paid - April	287	0.3771	39	0.2500	-	-	-	-
Distribution paid - May	422	0.5348	47	0.2500	-	-	-	-
Distribution payable - June	708	0.8405	186	0.8521	1,104	4.3370	50	10.5533
	2,750	4.5071	482	3.6980	1,281	5.6342	50	11.2748

	Yarra Enhanced Income Fund				Yarra Emerging Leaders Fund			
	Year ended				Year ended			
	30 June 2023 \$'000	30 June 2023 CPU	30 June 2022 \$'000	30 June 2022 CPU	30 June 2023 \$'000	30 June 2023 CPU	30 June 2022 \$'000	30 June 2022 CPU
Class B								
Distribution paid - December	-	-	-	-	1,036	2.7986	402	1.8553
Distribution payable - June	-	-	-	-	4,513	11.8000	8,081	27.3314
	-	-	-	-	5,549	14.5986	8,483	29.1867

4 Distributions to unitholders (continued)

	Yarra Enhanced Income Fund				Yarra Emerging Leaders Fund			
	30 June	Year ended	30 June	30 June	30 June	Year ended	30 June	30 June
	2023	2023	2022	2022	2023	2023	2022	2022
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Ordinary Class								
Distribution paid - July	887	0.2871	266	0.2516	-	-	-	-
Distribution paid - August	854	0.2561	292	0.2517	-	-	-	-
Distribution paid - September	759	0.2183	310	0.2513	-	-	-	-
Distribution paid - October	927	0.2545	324	0.2513	-	-	-	-
Distribution paid - November	916	0.2370	377	0.2514	-	-	-	-
Distribution paid - December	955	0.2365	416	0.2512	-	-	-	-
Distribution paid - January	1,539	0.3724	435	0.2509	-	-	-	-
Distribution paid - February	1,724	0.4064	487	0.2508	-	-	-	-
Distribution paid - March	1,641	0.3737	618	0.2509	-	-	-	-
Distribution paid - April	1,588	0.3589	687	0.2500	-	-	-	-
Distribution paid - May	2,458	0.5119	745	0.2500	-	-	-	-
Distribution payable - June	4,121	0.8118	2,480	0.8248	-	-	-	-
	18,369	4.3246	7,437	3.5859	-	-	-	-
Total distributions	21,119		7,919		6,830		8,533	

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

	Yarra Enhanced Income Fund		Yarra Emerging Leaders Fund	
	Year ended		Year ended	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Net gains/(losses) on financial assets at fair value through profit or loss	828	(11,735)	4,847	(14,866)
Total net gains/(losses) on financial instruments at fair value through profit or loss	828	(11,735)	4,847	(14,866)

6 Financial assets at fair value through profit or loss

	Yarra Enhanced Income Fund		Yarra Emerging Leaders Fund	
	As at		As at	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Financial assets at fair value through profit or loss				
Unlisted unit trusts	572,202	307,927	102,994	60,155
Total financial assets at fair value through profit or loss	572,202	307,927	102,994	60,155

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in notes 9 and 10.

7 Cash and cash equivalents

	Yarra Enhanced Income Fund		Yarra Emerging Leaders Fund	
	As at		As at	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Cash at bank	102	2	50	1

8 Reconciliation of profit/(loss) to net cash inflows/(outflows) from operating activities

	Yarra Enhanced Income Fund		Yarra Emerging Leaders Fund	
	Year ended		Year ended	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
(a) Reconciliation of profit/(loss) to net cash inflows/(outflows) from operating activities				
Operating profit/(loss) for the year	21,945	(3,800)	14,177	(7,378)
Proceeds from sale of financial instruments at fair value through profit or loss	111,277	49,071	15,909	7,718
Purchase of financial instruments at fair value through profit or loss	(351,577)	(256,866)	(44,711)	(25,540)
Net (gains)/losses on financial instruments at fair value through profit or loss	(828)	11,735	(4,847)	14,866
Trust distributions reinvested	(22,006)	(5,688)	(9,156)	(1,810)
Net change in receivables	(1,495)	(3,276)	(1,262)	(6,413)
Net change in payables	318	249	113	13
Net cash inflows/(outflows) from operating activities	(242,366)	(208,575)	(29,777)	(18,544)
(b) Non-cash financing activities				
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	300	160	2,365	277

9 Financial risk management

The Schemes' assets principally consist of units in their respective underlying scheme and cash. They hold these investments in accordance with its investment strategy.

The Schemes' 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 Schemes use different methods to measure different types of risk to which they are 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 Schemes' risk management framework. The Schemes' overall risk management program focus on ensuring compliance with the Schemes' Investment Guidelines and seek to maximise the returns derived for the level of risk to which the Schemes 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 Schemes' 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

Yarra Enhanced Income Fund

The Scheme is exposed to price risk on its financial assets at fair value through profit and loss, which comprise fixed interest securities, floating rate notes, convertible instruments and unlisted units in managed investment schemes.

The price of fixed interest securities, floating rate notes and convertible instruments is subject to movement based upon factors including credit risk of the counterparty and market interest rates. The price risk on such instruments is not considered by the Directors of the Responsible Entity to be material to the financial statements, due to the nature of the counterparties with whom the investments are taken.

The Investment Manager manages other price risk through diversification and careful selection of securities within specified limits set out in the Scheme's Product Disclosure Statement. Given that unlisted units in managed investment schemes represents a small proportion of the Scheme's total assets, the price risk arising from such investments is not considered to be material.

9 Financial risk management (continued)

(a) Market risk (continued)

(i) Price risk

Yarra Emerging Leaders Fund

The Scheme is exposed to price risk from listed equity securities, listed and unlisted units in managed investment schemes. This arises from investments held by the Scheme and the Underlying Scheme for which prices in the future are uncertain. These investments are classified on the statement of financial position as at fair value through profit or loss.

The Investment Manager mitigates this price risk through diversification and a careful selection of securities and other financial instruments within specified limits in the Investment Guidelines. A minimum of 80% of the Underlying Scheme is invested in securities listed on the Australian Securities Exchange and up to 20% may be invested in cash. The Underlying Schemes measures their performance relative to the benchmark comprising 50% S&P/ASX 200 Accumulation Index ("the Index") over rolling three-year periods. The Scheme's performance with reference to the S&P/ASX Midcap 50 Accumulation Index and 50% S&P/ASX Small Ordinaries Accumulation Index.

The Underlying Scheme's and the Scheme's performance with reference to the average of the two indices above is reported to the Board of Directors of the Responsible Entity on a regular basis

Sensitivity analysis

The impact of an increase or decrease of 15% (2022: 15%) of the comprising 50% S&P/ASX Midcap 50 Accumulation Index and 50% S&P/ASX Small Ordinaries Accumulation Index would have increased or decreased the Scheme's net assets attributable to unitholders and profit or loss by \$15.4 million (2022: \$9.0 million). This is based on the assumption that all other variables held constant and that the fair value of the Underlying Scheme's portfolio of equity, derivative securities and listed unit trusts moved according to the historical correlation with the comprising 50% S&P/ASX Midcap 50 Accumulation Index and 50% S&P/ASX Small Ordinaries Accumulation Index. The impact mainly arises from the possible change in the fair value of listed equities.

(ii) Foreign exchange risk

In accordance with the Schemes' Investment Guidelines, the Schemes may not enter into transactions denominated in currencies other than Australian dollars. The Schemes therefore do not have any exposure to currency risk on financial instruments, receivables and liabilities. The functional currency of the Schemes is Australian dollars.

9 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk

Interest rate risk is the risk that the value of the Schemes' financial instruments will fluctuate due to changes in the market interest rates.

Yarra Emerging Leaders Fund's Investment Guidelines permit them to hold a 20% maximum in cash and cash equivalents, therefore the majority of the Scheme's financial assets and liabilities are non-interest bearing. Any excess cash and cash equivalents are invested at short-term market interest rates. Interest rate risk is therefore considered not material and consequently interest rate sensitivity has not been presented. In addition, the Scheme has indirect exposure to interest bearing securities through another unlisted managed investment scheme, whose valuation is affected by the change of interest rate.

Yarra Enhanced Income Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Scheme to fair value interest rate risk. Its Investment Guidelines permit it to hold fixed income and hybrid (debt) securities, therefore the majority of the Scheme's financial assets are interest bearing. Its exposure to interest rate risk and the effective weighted average interest rate of classes of financial assets and financial liabilities is set out below on a look through basis:

Yarra Enhanced Income Fund

	Weighted average interest rate (% pa)	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
30 June 2023					
Financial assets					
Cash and cash equivalents		102	-	-	102
Application receivable		-	-	2,473	2,473
Receivables		-	-	6,128	6,128
Financial assets at fair value through profit or loss	6.31	421,456	92,411	58,335	572,202
Total assets		<u>421,558</u>	<u>92,411</u>	<u>66,936</u>	<u>580,905</u>
Financial liabilities					
Distribution payable		-	-	(4,829)	(4,829)
Redemption payable		-	-	(1,041)	(1,041)
Payables		-	-	(3,189)	(3,189)
Total liabilities		<u>-</u>	<u>-</u>	<u>(9,059)</u>	<u>(9,059)</u>
Net assets attributable to unitholders		<u>421,558</u>	<u>92,411</u>	<u>57,877</u>	<u>571,846</u>

9 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

Yarra Enhanced Income Fund

	Weighted average interest rate (% pa)	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
30 June 2022					
Financial assets					
Cash and cash equivalents		2	-	-	2
Application receivable		-	-	684	684
Receivables		-	-	3,986	3,986
Financial assets at fair value through profit or loss	3.81	226,144	42,071	39,712	307,927
Total assets		226,146	42,071	44,382	312,599
Financial liabilities					
Distribution payable		-	-	(2,666)	(2,666)
Redemption payable		-	-	(394)	(394)
Payables		-	-	(1,083)	(1,083)
Total liabilities		-	-	(4,143)	(4,143)
Net assets attributable to unitholders		226,146	42,071	40,239	308,456

9 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

The following table summarises the sensitivity of the Yarra Enhanced Income Fund's operating profit/(loss) and net assets attributable to unitholders to interest rate risk via the Scheme's investment in the Underlying Scheme. 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 Underlying Scheme invests. 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	
	Interest rate risk	
	-100bps	+100bps
	\$'000	\$'000
30 June 2023	2,920	(2,920)
30 June 2022	68	(68)

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.

9 Financial risk management (continued)

(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 Schemes.

Credit risk is controlled by restricting investments to high quality counterparties. The creditworthiness of all counterparties to the list of investments of the Schemes' underlying schemes 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. The Schemes are not permitted to invest in debt securities, however up to 20% of the value of the Schemes can be held in cash and cash equivalents. No assets of the Schemes were impaired at 30 June 2023 or 30 June 2022, and as a result credit risk is not considered to be a significant risk to the Schemes.

The Schemes invest in interest bearing securities which have credit ratings as rated by well-known agencies. For unrated interest bearing securities a rating is assigned by the Responsible Entity using an approach that is consistent with the approach used by rating agencies.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. An analysis of debt securities for Yarra Enhanced Income Fund via its holdings in the Underlying Scheme by rating is set out in the table below on a look through basis:

Yarra Enhanced Income Fund

	A+ to A- \$'000	BBB+ to BB- \$'000	Others \$'000	Total \$'000
30 June 2023				
Financial assets				
Unlisted unit trusts	9,713	446,648	81,161	537,522
Yarra Enhanced Income Fund				
30 June 2022				
Financial assets				
Unlisted unit trusts	973	227,545	65,187	293,705

(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.

9 Financial risk management (continued)

(b) Credit risk (continued)

(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 Schemes' policy, the Schemes' cash position is monitored on a daily basis.

(iii) Other

The clearing and depository operations for the Schemes' security and derivatives transactions are mainly concentrated with one counterparty, Citigroup Pty Ltd. 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). At 30 June 2023, substantially all cash and cash equivalents, balances due from broker and investments are held in custody by Citigroup Pty Ltd.

(c) Liquidity risk

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

The Schemes are exposed to daily redemptions of redeemable units. It therefore primarily holds investments that are traded in an active market and can be readily disposed. The Schemes' listed securities are considered readily realisable, as they are listed on the Australian Securities Exchange.

Investments in unlisted unit trusts expose the Schemes 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 Schemes.

The Schemes maintain adequate liquidity to pay withdrawals and distributions within the timeframes outlined in the Constitutions. This is 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 Schemes measure and recognise the following assets and liabilities at fair value on a recurring basis:

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

The Schemes have 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 Schemes classify 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).

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.

10 Fair value measurements (continued)

(a) Fair value hierarchy (continued)

Classification of financial assets and financial liabilities (continued)

(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 Schemes value their investments in accordance with the accounting policies set out in note 2. For the majority of their investments, the Schemes rely on information provided by independent pricing services for the valuation of their investments.

The quoted market price used for financial assets held by the Schemes are the last traded price; the appropriate quoted market price for financial liabilities is the current asking price. When the Schemes hold derivatives with offsetting market risks, they use 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 unquoted 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 Schemes 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 other unlisted unit trusts 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.

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 Schemes hold.

10 Fair value measurements (continued)

(a) Fair value hierarchy (continued)

Recognised fair value measurements

The table below sets out the Schemes' financial assets and liabilities measured at fair value according to the fair value hierarchy at 30 June 2023 and 30 June 2022:

	Yarra Enhanced Income Fund				Yarra Emerging Leaders Fund			
As at 30 June 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss								
Unlisted unit trusts	-	572,202	-	-	-	102,994	-	102,994
Total financial assets at fair value through profit or loss	-	572,202	-	-	-	102,994	-	102,994

	Yarra Enhanced Income Fund				Yarra Emerging Leaders Fund			
As at 30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss								
Unlisted unit trusts	-	307,927	-	307,927	-	60,155	-	60,155
Total financial assets at fair value through profit or loss	-	307,927	-	307,927	-	60,155	-	60,155

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include unlisted unit trusts. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

10 Fair value measurements (continued)

(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. The Underlying Scheme of Yarra Enhanced Income Fund holds level 3 debt instruments that are currently under administration and are priced at zero as at 30 June 2023 (2022: The Underlying Scheme held level 3 debt instruments priced at zero).

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 year the following fees were paid or payable by the Responsible Entity for services provided by the auditor of the Schemes:

	Yarra Enhanced Income Fund		Yarra Emerging Leaders Fund	
	Year ended		Year ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$	\$	\$	\$
<i>Audit and other assurance services</i>				
Audit and review of financial statements	10,505	13,860	10,505	13,860
Other assurance services	4,675	3,630	4,675	3,630
Total remuneration for audit and other assurance services	15,180	17,490	15,180	17,490
 Total remuneration*	 15,180	 17,490	 15,180	 17,490

* The fees disclosed above are GST inclusive.

12 Related party transactions

Key management personnel unitholdings

At 30 June 2023, no key management personnel held units in the Schemes (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 Schemes to the Responsible Entity do not include any amounts directly attributable to the compensation of key management personnel.

Key management personnel loan disclosures

The Schemes have 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 Schemes during the financial year and there were no material contracts involving key management personnel's interests existing at year end.

Responsible Entity's fees and other transactions

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

	Yarra Enhanced Income Fund		Yarra Emerging Leaders Fund	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$	\$	\$	\$
Responsible Entity's fees* earned	<u>2,359,105</u>	1,029,602	<u>879,832</u>	744,277
Responsible Entity's fees* payable	<u>715,518</u>	398,028	<u>256,555</u>	198,137

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

12 Related party transactions (continued)

Related party unitholdings

There is no related party holding for Yarra Enhanced Income Fund.

Holdings in the Scheme by the Responsible Entity or other related parties as follows:

Yarra Emerging Leaders Fund

2023							
Unitholder	No. of units held opening (units)	No. of units held closing (units)	Fair value of investment (\$)	Interest held (%)	No. of units acquired (units)	No. of units disposed (units)	Distributions paid/payable by the Fund (\$)
Yarra Capital Management Services Pty Ltd	518,791	365,068	809,866	0.57	196,420	350,144	59,587
2022							
Unitholder	No. of units held opening (units)	No. of units held closing (units)	Fair value of investment (\$)	Interest held (%)	No. of units acquired (units)	No. of units disposed (units)	Distributions paid/payable by the Fund (\$)
Yarra Capital Management Services Pty Ltd	879,497	518,791	1,034,418	1.73%	69,403	430,109	158,110

12 Related party transactions (continued)

Investments in unlisted unit trusts

Holdings of the Schemes in other related parties, including those under the management of the Responsible Entity as follows:

Yarra Enhanced Income Fund

	Fair value of investment		Interest held		Distributions received/receivable		Units acquired during the year		Units disposed during the year	
	2023 \$	2022 \$	2023 %	2022 %	2023 \$	2022 \$	2023 No.	2022 No.	2023 No.	2022 No.
Yarra Enhanced Income Pooled Fund	572,202,391	307,926,936	98.94	97.85	23,473,611	8,997,557	361,283,783	248,147,618	107,738,124	46,850,111

Distributions received/receivable includes an amount of \$5,042,395 (2022: \$2,666,737) in respect of Yarra Enhanced Income Pooled Fund which remains unpaid at the end of the reporting period.

Yarra Emerging Leaders Fund

	Fair value of investment		Interest held		Distributions received/receivable		Units acquired during the year		Units disposed during the year	
	2023 \$	2022 \$	2023 %	2022 %	2023 \$	2022 \$	2023 No.	2022 No.	2023 No.	2022 No.
Yarra Emerging Leaders Pooled Fund	102,993,971	60,155,278	52.52	42.79	10,411,197	8,232,507	12,151,799	5,413,535	3,671,444	1,479,284

Distributions received/receivable includes an amount of \$8,714,601 (2022: \$7,459,470) in respect of Yarra Emerging Leaders Pooled Fund which remains unpaid at the end of the reporting period.

13 Events occurring after the end of the reporting period

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

14 Contingent assets and liabilities and commitments

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

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the annual financial reports and notes set out on pages 9 to 42 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 Schemes' financial positions as at 30 June 2023 and of their performance for the year ended on that date; and
- (b) there are reasonable grounds to believe that the Schemes will be able to pay their debts as and when they become due and payable.
- (c) Note 2(a) confirms that the financial statements comply 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 Unitholders of Yarra Enhanced Income Fund and Yarra Emerging Leaders Fund

Opinion

We have audited the financial reports Yarra Enhanced Income Fund and Yarra Emerging Leaders Fund (the "Schemes"). The financial reports comprise the statements of financial position as at 30 June 2023, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial reports, including material accounting policy information and other explanatory information, and the Directors' declaration.

In our opinion, the accompanying financial reports of the Schemes are in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Schemes' financial positions as at 30 June 2023 and of their financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Reports* section of our report. We are independent of the Schemes 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 reports 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 Yarra Funds Management Limited (the "Responsible Entity"), 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 of the Responsible Entity (the "directors") are responsible for the other information. The other information comprises the information included in the Directors' report for the year ended 30 June 2023, but does not include the financial reports and our auditor's report thereon.

Our opinion on the financial reports 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 reports, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial reports 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 the Directors for the Financial Reports

The directors are responsible for the preparation of the financial reports 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 reports that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the directors are responsible for assessing the ability of the Schemes to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Schemes or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Reports

Our objectives are to obtain reasonable assurance about whether the financial reports 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 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 these financial reports.

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 reports, 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 Schemes' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Schemes' abilities 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 reports or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Schemes to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial reports, including the disclosures, and whether the financial reports represent 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.



DELOITTE TOUCHE TOHMATSU



Adam Kuziow
Partner
Chartered Accountants

Melbourne, 26 September 2023