

ELSTREE ENHANCED INCOME FUND
ABN 31 455 193 963

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2023

ELSTREE ENHANCED INCOME FUND
ABN 31 455 193 963

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ELSTREE ENHANCED INCOME FUND

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TRUSTEE'S REPORT

The directors of Elstree Investment Management Ltd, the trustee of Elstree Enhanced Income Fund ("the Fund") present their report on the Fund for the financial year ended 30 June 2023.

The names of the directors in office at any time during, or since the end of, the year are:

Campbell E Dawson	(Appointed 10 January 2003)
Norman St. G Derham	(Appointed 10 January 2003)
John P Abbott	(Appointed 2 April 2004)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

The profit of the Fund for the financial year amounted to \$9,857,066 including unrealised and realised changes in the net fair value of investments.

No significant changes in the Fund's state of affairs occurred during the financial year.

The principal activities of the Fund during the financial year were the investment of funds on the Australian Stock Exchange listed interest rate derivatives and hybrid debt/equity securities, in accordance with the trust deed.

No significant change in the nature of these activities occurred during the year.

The Covid-19 pandemic had little impact on the Fund. Prices and fund volatility were consistent with the years before Covid 19. All securities in the Fund continued to pay their interest and distributions. The management of the Fund by Trustee was unaffected and the Fund operations were able to be managed under the Trustees working from home and disaster recovery processes.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

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

The Fund's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Distributions paid or declared since the start of the financial year are as follows:

- a. A distribution to the unitholders for the 3 months ended 30 September 2022 of \$0.0085 cents per unit paid on 15 October 2022, including Dividend Reinvestment Plan (DRP) distributions.
- b. A distribution to the unitholders for the 3 months ended 31 December 2022 of \$0.012 cents per unit paid on 17 January 2023, including DRP distributions.
- c. A distribution to the unitholders for the 3 months ended 31 March 2023 of \$0.0146 cents per unit paid on 19 April 2023, including DRP distributions.
- d. A final distribution was declared for the 3 months ended 30 June 2023 of \$0.0098 cents per unit and paid on 15 July 2023, including DRP distributions.

No options over issued shares or interests in the Fund were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Fund.

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TRUSTEE'S REPORT

(Continued)

The ex-distribution exit prices and the highest and lowest exit prices for the Fund calculated as at close of business on the last business day each month are shown below:

	2023 \$	2022 \$
As at 30 June	0.8413	0.8337
During the year to:		
- Highest	0.8618	0.8733
- Lowest	0.8256	0.8271

No person has applied for leave of Court to bring proceedings on behalf of the fund or intervene in any proceedings to which the Fund is a party for the purpose of taking responsibility on behalf of the Fund for all or any part of those proceedings.

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

Details of Directors

	<i>Campbell E Dawson</i>	<i>Norman St. G Derham</i>	<i>John P Abbott</i>
Qualifications	Bachelor of Commerce Graduate Diploma of Applied Finance	Bachelor of Economics	Bachelor of Commerce
Experiences	37 years experience in funds management and banking	37 years experience in financial markets	32 years experience in fixed interest funds management
Special responsibilities	Nil	Nil	Nil
Directors' meetings attended	17	17	17

Signed in accordance with a resolution of the Board of Directors of the trustee:



Campbell Dawson

Director

Sydney, 13th December 2023

ELSTREE ENHANCED INCOME FUND

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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

		2023	2022
	Note	\$	\$
Revenue	2	7,352,747	5,554,980
Other income	2	148,576	66,383
Investment managers fees	14	(1,040,223)	(1,020,359)
Fair value through profit or loss		3,395,966	(6,102,809)
Profit/(loss) for the year		9,857,066	(1,501,805)
Distribution to unit holders	7(b)	(7,625,159)	(5,026,513)
(Increase)/decrease in net assets attributable to unit holders		(2,231,907)	6,528,318
Net Profit		-	-

The accompanying notes form part of these financial statements

ELSTREE ENHANCED INCOME FUND**ABN 31 455 193 963****STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2023**

	Note	2023	2022
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9(b)	5,317,509	10,830,509
Trade and other receivables	4	1,534,167	110,299
Financial assets	5	136,985,985	144,885,160
TOTAL CURRENT ASSETS		<u>143,837,661</u>	<u>155,825,968</u>
TOTAL ASSETS		<u>143,837,661</u>	<u>155,825,968</u>
CURRENT LIABILITIES			
Trade and other payables	6	112,916	9,417,334
Distribution payable	7(a)	1,654,618	1,053,397
TOTAL CURRENT LIABILITIES		<u>1,767,534</u>	<u>10,470,731</u>
TOTAL LIABILITIES (excluding net assets attributable to unit holders)		<u>1,767,534</u>	<u>10,470,731</u>
Net assets attributable to unit holders	8	142,070,127	145,355,237
TOTAL LIABILITIES		<u>143,837,661</u>	<u>155,825,968</u>

The accompanying notes form part of these financial statements

ELSTREE ENHANCED INCOME FUND

ABN 31 455 193 963

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	2023 \$	2022 \$
Net profit for the period		-	-
Total recognised income and expense for the period		<u>-</u>	<u>-</u>

Under IFRS net assets attributable to unitholders are classified as a liability rather than equity. Therefore, the Fund has no equity. Please refer to Note 8 for movements in net assets attributable to unitholders.

The accompanying notes form part of these financial statements

ELSTREE ENHANCED INCOME FUND**ABN 31 455 193 963****STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	2023 \$	2022 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Distributions and dividends received		5,611,310	3,001,399
Sale of trading shares		223,528,885	115,827,809
Purchase of trading shares		(221,856,065)	(143,757,642)
Interest received		1,000,352	685,720
Other income		148,576	66,383
Other expenses paid		(1,226,101)	(950,934)
Net cash provided by/ (used in) operating activities	9(a)	<u>7,206,957</u>	<u>(25,127,265)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts from issue of units		1,978,247	38,883,994
Distributions paid		(7,023,938)	(5,338,302)
Redemption of units		(7,674,266)	(4,835,420)
Net cash (used)/provided by financing activities		<u>(12,719,957)</u>	<u>28,710,272</u>
Net (decrease)/ increase in cash held		(5,513,000)	3,583,007
Cash at beginning of year		<u>10,830,509</u>	<u>7,247,502</u>
Cash at end of year	9(b)	<u>5,317,509</u>	<u>10,830,509</u>

The accompanying notes form part of these financial statements

ELSTREE ENHANCED INCOME FUND

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are a general purpose financial statement that has been prepared in accordance with the Funds Trust Deed (as amended), Accounting Standards, including Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements cover the Fund of Elstree Enhanced Income Fund ("the Fund") as an individual fund. The Fund is a unit trust, incorporated and domiciled in Australia.

The Fund was constituted on 12 August 2003 and will terminate on 11 August 2083 unless terminated earlier in accordance with the provision of the Trust Deed (as amended). The Fund commenced operations on 21 August 2003.

The financial statements of the Fund as an individual fund complies with all International Financial Reporting Standards (IFRS) in their entirety.

The financial statements are presented in Australian Dollars.

The following is a summary of the material accounting policies adopted by the Fund in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

Reporting Basis and Conventions

The financial statements has been prepared on an accruals basis and is based on historical costs modified by the revaluation of financial assets and financial liabilities for which the fair value basis of accounting has been applied.

a. Income Tax

Under current legislation the Fund is not subject to income tax provided the taxable income (including assessable realised capital gains) is distributed in full to the unit holders. It is the trustee's intention to fully distribute the taxable income. As such no provision for tax has been made in respect of income tax.

b. Financial Instruments

Recognition

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139 Financial Instruments: Recognition and Measurement. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Financial Instruments (Continued)

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the Fund's intention to hold these investments to maturity. Any held-to-maturity investments held by the Fund is stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the Statement of Comprehensive Income unless they are designated as hedges.

Impairment

At each reporting date, the Fund assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Comprehensive Income.

c. Cash and Cash Equivalents

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

d. Revenue

Revenue from security trading

Profit from security trading is determined as the difference between the revenue from sale of securities and the cost of those securities, at historical cost. Policy is to offset and show net of trading.

Dividends and distribution income

Dividends are recognised as income on the date the shares are quoted ex-dividend. Distributions are recognised as income on the date the units are quoted ex-distribution.

Interest income

Interest is recognised as income on an accrual basis.

All revenue is stated net of the amount of goods and services tax (GST).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Reduced input tax credits (RITC) recoverable by the scheme from the ATO are recognised as receivables in the Statement of Financial Position.

f. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Fund.

g. Distributions

In accordance with the Trust Deed (as amended), the Fund fully distributes its Distributable Income to unit holders. Distributions are payable at the end of each half year or as determined by the Trustees.

h. Determination of Unit Exit Prices

The unit exit price is determined by the value of the assets of the Fund less its liabilities, adjusted for estimated transaction costs, divided by the number of units on issue.

i. Terms and Conditions on Units

Each unit issued confers upon the unit holder an equal interest in the Fund, and is of equal value. A unit does not confer any interest in any particular asset or investment of the Fund.

Unit holders have various rights under the Trust Deed (as amended), including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unit holders; and
- participate in the termination and winding up of the Fund.

The rights, obligations and restrictions attached to each of the unit holders are identical in all respects.

ELSTREE ENHANCED INCOME FUND**ABN 31 455 193 963****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

	2023	2022
	\$	\$
NOTE 2: REVENUE		
Revenue		
Profit/(loss) from security trading	799,919	1,832,594
Distributions received	5,545,710	3,001,399
Interest received	1,007,118	720,987
Total Revenue	<u>7,352,747</u>	<u>5,554,980</u>
Other income		
Underwriting fees	148,576	66,383
Other Income	<u>148,576</u>	<u>66,383</u>
NOTE 3: AUDITORS' REMUNERATION		
Remuneration of the auditor of the Fund for:		
Auditing or reviewing the financial statements	11,795	11,025
	<u>11,795</u>	<u>11,025</u>
NOTE 4: TRADE AND OTHER RECEIVABLES		
CURRENT		
Outstanding trades	6,906	65,739
Outstanding settlements	1,496,595	-
GST refundable	30,666	44,560
	<u>1,534,167</u>	<u>110,299</u>
NOTE 5: FINANCIAL ASSETS		
Held for Trading financial assets		
Listed investments		
Shares in listed fixed interest corporations, at fair value	136,985,985	144,885,160
	<u>136,985,985</u>	<u>144,885,160</u>

Held for Trading financial assets comprise investments in the capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

	2023	2022
	\$	\$
NOTE 6: TRADE AND OTHER PAYABLES		
CURRENT		
Investment management fees	90,416	290,190
Outstanding trades	-	8,925,644
Sundry payables	22,500	201,500
	112,916	9,417,334
NOTE 7: DISTRIBUTIONS		
(a) Distributions paid		
Distributions paid during the year	5,970,541	3,973,116
Distribution payable at year end	1,654,618	1,053,397
Total distributions for the year	7,625,159	5,026,513
(b) Per unit distribution		
2023 Distributions	\$	Cents per unit
— Three months ended 30 September 2022	1,434,772	0.85
— Three months ended 31 December 2022	2,040,543	1.20
— Three months ended 31 March 2023	2,495,226	1.46
— Three months ended 30 June 2023	1,654,618	0.98
	7,625,159	4.49
2022 Distributions	\$	Cents per unit
— Three months ended 30 September 2021	1,442,602	0.98
— Three months ended 31 December 2021	1,479,205	0.85
— Three months ended 31 March 2022	1,051,309	0.58
— Three months ended 30 June 2022	1,053,397	0.6
	5,026,513	3.01

ELSTREE ENHANCED INCOME FUND

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 8: NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

	Number of Units on Issue	Contributed Unit Capital (\$)	Retained Earnings (\$)	Total (\$)
Balance at 1 July 2021	-	-	(1,501,805)	(1,501,805)
Loss attributable to trust			(1,501,805)	(1,501,805)
Units issued during the reporting period:				
— Applications - cash	72,875,683	54,098,175	-	54,098,175
— Applications - DRP	156,410	134,552	-	134,552
Sub-total	209,550,737	172,246,706	(1,501,805)	170,744,901
— Transfers to Income Statement	-	(6,528,318)	6,528,318	-
Financing costs				
— Distributions paid or provided for	-	-	(5,026,513)	(5,026,513)
— Redemption of units for period – cash	(33,984,570)	(20,363,151)	-	(20,363,151)
Balance at 30 June 2022	175,566,167	145,355,237	-	145,355,237
Profit attributable to trust	-	-	9,857,066	9,857,066
Units issued during the reporting period:				
— Applications – cash	24,769,503	17,629,535	-	17,629,535
— Applications - DRP	291,049	246,424	-	246,424
Sub-total	200,626,719	163,231,196	9,857,066	173,088,262
— Transfers to Income Statement	-	2,231,906	(2,231,906)	-
Financing costs				
— Distributions paid or provided for	-	-	(7,625,160)	(7,625,160)
— Redemption of units for period – cash	(31,788,188)	(23,392,975)	-	(23,392,975)
Balance at 30 June 2023	168,838,531	142,070,127	-	142,070,127

Investors' contributed capital represents the net amount of actual cash paid into/(redeemed from) the Fund by unit holders, less any return of capital made to unit holders.

Investors' contributed securities represent fixed interest securities contributed by investors in order to become a unit holder in the Fund.

Investors' application via DRP represents Dividend Reinvestment Plan from distribution paid by unit holders.

2023
\$ **2022**
\$

NOTE 9: CASH FLOW INFORMATION

(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax

Profit/(loss) after income tax	9,857,066	(1,501,805)
Non-cash flows in profit		
Decrease/ (Increase) in trade and term debtors	72,729	(49,823)
(Increase)/decrease in net fair value of investments	(3,395,966)	6,102,810
(Decrease)/increase in trade and other payables	(199,773)	83,982
(Gain) on disposal of financial assets	(799,919)	(1,832,594)
Decrease/(increase) in financial assets	1,672,820	(27,929,835)
	<u>7,206,957</u>	<u>(25,127,265)</u>

ELSTREE ENHANCED INCOME FUND

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
	\$	\$
NOTE 9: CASH FLOW INFORMATION (Continued)		
(b) Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cashflows is reconciled to the items in the Statement of Financial Position as follows:		
Cash and cash equivalents	5,317,509	10,830,509

NOTE 10: EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

- (a) There has not been any matter or circumstances not otherwise dealt with in the financial statements that has significantly affected or may significantly affect the Fund.

NOTE 11: RELATED PARTY TRANSACTIONS

Management fees received by Elstree Investment Management Ltd are at normal commercial terms and are disclosed in Note 14 of this report.

NOTE 12: INDUSTRY SEGMENTS

The Funds operations relate solely to investment activity.

The geographical location of the investment activity is Australia.

NOTE 13: KEY MANAGEMENT PERSONEL COMPENSATION

No management personnel are paid out of the Fund.

NOTE 14: INVESTMENT MANAGEMENT FEES

Elstree Investment Management Ltd (manager and custodian) is paid the investment management fee of 0.7% per annum of the net asset value of the Fund for the period ended 30 June 2023 totalling \$1,040,223 (2022: \$1,020,359). Under the Trust Deed (as amended) and Information Memorandum, the Manager is entitled to receive a Management fee of up to 3% per annum of the net asset value of the Fund.

NOTE 15: FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The Fund's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 15: FINANCIAL INSTRUMENTS (Continued)

(b) Market Risk

Market risk represents the risk that a financial instrument's value will fluctuate as a result of changes in the market.

Market risk is minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

(c) Liquidity and Cash Flow Risk

The liquidity risks associated with the need to satisfy unit holders' requests for redemptions are mitigated by maintaining a constant pool of cash to satisfy usual levels of demand and restricting the investment activities of the Fund to securities that are actively traded and highly liquid.

The risk management guidelines adopted by the manager require sufficient funds on not more than 24 hour call to ensure the maintenance of the Fund's asset liquidity.

Maturities of financial liabilities:

The below table analyses the Fund's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 30 June 2023	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets) / liabilities
	\$	\$	\$	\$	\$	\$	\$
Non-Derivatives							
Non-interest bearing	112,916	-	-	-	-	112,916	112,916
Total non-derivatives	112,916	-	-	-	-	112,916	112,916

As at 30 June 2022	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets) / liabilities
	\$	\$	\$	\$	\$	\$	\$
Non-Derivatives							
Non-interest bearing	9,417,334	-	-	-	-	9,417,334	9,417,334
Total non-derivatives	9,417,334	-	-	-	-	9,417,334	9,417,334

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 15: FINANCIAL INSTRUMENTS (Continued)

(d) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the Statement of Financial Position and notes to the financial statements.

The Fund's deposit at call assets have limited exposure to credit risk as the majority of deposited amounts are held by a banking institution that holds an independently rated credit rating of AA.

The board of directors have not approved any financial guarantees in favour of another entity during the 2023 financial year.

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Market prices generally incorporate credit assessments into their value and risk of loss is implicitly provided for in the carrying value of financial assets and liabilities including securities and is therefore limited to the amount carried on the Statement of Financial Position.

The Fund minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties on recognised and reputable exchanges.

The Fund is not materially exposed to any individual counterparty or individual security.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 15: FINANCIAL INSTRUMENTS (Continued)

(e) Interest Rate Risk

The Fund's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Non-Interest Bearing		Total	
	2023 %	2022 %	2023 \$	2022 \$	2023 \$	2022 \$	2023 \$	2022 \$
Financial Assets:								
Cash and cash equivalents	3.15%	0.0%	5,317,509	10,830,509	-	-	5,317,509	10,830,509
Trade and other receivables	-	-	-	-	1,534,167	110,299	1,534,167	110,299
Investments	-	-	-	-	136,985,985	144,885,160	136,985,985	144,885,160
Total Financial Assets	-	-	5,317,509	10,830,509	138,520,152	144,995,459	143,837,661	155,825,968
Financial Liabilities:								
Trade and other payables	-	-	-	-	112,916	9,417,334	112,916	9,417,334
Distribution payable	-	-	-	-	1,654,618	1,053,397	1,654,618	1,053,397
Total Financial Liabilities	-	-	-	-	1,767,534	10,470,731	1,767,534	10,470,731

The Fund's interest rate risk arises from cash equivalents and other receivables with variable interest rates. At 30 June 2023, if interest rates had changed by +/- 100 basis points from the year-end interest rates with all other variables held constant, post-tax profit would have been \$53,175 lower/higher (2022 – change of 100 bps: \$108,305 lower/higher) as a result of lower/higher interest income from these financial assets.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 15: FINANCIAL INSTRUMENTS (Continued)

(f) Price Risk

During the current financial year, the Fund was exposed to equity securities price risk. This arises from investments held by the Fund and classified on the Statement of Financial Position as fair value through profit or loss.

To manage the Fund's price risk arising from investments in equity securities, all investment activities are undertaken in accordance with established mandate limits and investment strategies.

The majority of the Fund's equity investments are publicly traded on the Australian Stock Exchange.

(g) Summarised Sensitivity Analysis

The following table summarises the sensitivity of the Fund's financial assets and financial liabilities to interest rate risk and other price risk.

30 June 2023	Carrying Amount	Interest Rate Risk				Other Price Risk			
		- 100 bps		+ 100 bps		- 10%		+ 10%	
		Profit	Other Equity	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity
		\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets									
Cash and Cash Equivalents	5,317,509	(53,175)	-	53,175	-	-	-	-	-
Trade and Other Receivables	1,534,167	-	-	-	-	-	-	-	-
Financial Assets at FVTPL	136,985,985	-	-	-	-	(13,698,599)	-	13,698,599	-
Financial Liabilities									
Trade and Other Payables	112,916	-	-	-	-	-	-	-	-
Total increase / decrease	-	(53,175)	-	53,175	-	(13,698,599)	-	13,698,599	-

ELSTREE ENHANCED INCOME FUND

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 15: FINANCIAL INSTRUMENTS (Continued)

(g) Summarised Sensitivity Analysis (continued)

30 June 2022	Carrying Amount	Interest Rate Risk				Other Price Risk			
		- 100 bps		+ 100 bps		- 10%		+ 10%	
		Profit	Other Equity	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity
		\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets									
Cash and Cash Equivalents	10,830,509	(108,306)	-	108,306	-	-	-	-	-
Trade and Other Receivables	110,299	-	-	-	-	-	-	-	-
Financial Assets at FVTPL	144,885,160	-	-	-	-	(14,488,516)	-	14,488,516	-
Financial Liabilities									
Trade and Other Payables	9,417,334	-	-	-	-	-	-	-	-
Total increase / decrease	-	(108,306)	-	108,306	-	(14,488,516)	-	14,488,516	-

(h) Net Fair Values

The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the Fund intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and in the notes to the financial statements.

ELSTREE ENHANCED INCOME FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 15: FINANCIAL INSTRUMENTS (Continued)

(h) **Net Fair Values** (continued)

	2023		2022	
	Carrying Amount \$	Net Fair Value \$	Carrying Amount \$	Net Fair Value \$
Financial Assets:				
Cash and cash equivalents	5,317,509	5,317,509	10,830,509	10,830,509
Trade and other receivables	1,534,167	1,534,167	110,299	110,299
Investments	136,985,985	136,985,985	144,885,160	144,885,160
Total Financial Assets	143,837,661	143,837,661	155,825,968	155,825,968
Financial Liabilities:				
Trade and other payables	112,916	112,916	9,417,334	9,417,334
Distribution payable	1,654,618	1,654,618	1,053,397	1,053,397
Total Financial Liabilities	1,767,534	1,767,534	10,470,731	10,470,731

ELSTREE ENHANCED INCOME FUND

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 16: CHANGE IN ACCOUNTING POLICY

Certain Australian Accounting Standards have recently been issued or amended but do not have mandatory application for 30 June 2023 reporting periods. The Directors' assessment of the impact of the new standards and interpretations will not affect any of the amounts recognized in the financial statements.

NOTE 17: Capital Risk Management

- (a) The directors' objectives when managing capital was to safeguard the Fund's ability to continue as a going concern, so that the Fund could continue to provide returns for unitholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

During 2023, the directors' strategy was to maintain a minimal or zero amount of interest bearing debt in the Fund. This strategy minimises the degree of capital risk by specifically focusing on protecting unitholders' funds and reducing the cost of capital for the Fund.

NOTE 18: FUND'S DETAILS

The registered office and principle place of business of the Fund is:

Elstree Enhanced Income Fund
Level 9, 100 Collins Street
Melbourne VIC 3000

ELSTREE ENHANCED INCOME FUND

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DIRECTORS' DECLARATION

The Directors of the Trustee declare that:

1. The financial statements and notes, as set out in pages 3 to 20 are in accordance with the Funds trust deed (as amended) and:
 - a. are in accordance with the accounting policies described in Note 1 to the financial statements: and
 - b. present fairly of the Fund's financial position as at 30 June 2023 and of its performance for the year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors of the Trustee.



Campbell Dawson
Director

Sydney, 13th December 2023



ELSTREE ENHANCED INCOME FUND
ABN 31 455 193 963

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF
ELSTREE ENHANCED INCOME FUND

Report on the Financial Report

We have audited the accompanying financial report of Elstree Enhanced Income Fund (the "Fund"), which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors of the trustee company's (the trustees) declaration.

Trustees Responsibility for the Financial Report

The trustees of the trust are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the trust deed and for such internal control as the trustees determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the trustees also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditors Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustees, as well as evaluating the overall presentation of the financial report.

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



Independence

In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements.

Auditors Opinion

In our opinion;

- a. the financial report gives a true and fair view of the financial position of Elstree Enhanced Income Fund, as at 30 June 2023 and of their performance and cash flows for the period then ended in accordance with Australian Accounting Standards and the trust deed (as amended);
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

MNSA PTY LTD

MNSA Pty Ltd

Mark Schiliro
Director

Sydney, dated this 13th December 2023