Storehouse Residential Trust and its Controlled Entity

ARSN 135 812 074

Condensed consolidated interim report for the half-year ended 31 December 2022

Index to the Condensed Consolidated Financial Statements

This condensed consolidated interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made in respect of Storehouse Residential Trust during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the current Product Disclosure Statement as per Note 2.

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

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

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

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Directors' Report

The directors of K2 Asset Management Ltd. (ABN 95 085 445 094; AFSL 244393) ("K2" or the "Responsible Entity"), the responsible entity of Storehouse Residential Trust (ARSN 135 812 074) (the "Trust") and its controlled entities (the "Group"), submit their report on the Group for the half-year ended 31 December 2022 and the auditors review report thereon.

The various service providers for the Fund are detailed below:

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

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

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

Directors and Senior Management

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

Name	Title
Campbell W Neal	Executive Director
Hollie A Wight	Executive Director and Company Secretary
George Boubouras	Executive Director

Principal Activities

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

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

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

The Group did not have any employees during the half-year.

Review of Operations

Results

The results of operations of the Group are disclosed in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income. The profit attributable to unitholders for the half-year ended 31 December 2022 was $183,641 (31 December 2021: $508,173).

Distributions

Total distribution paid and payable to unitholders for the half-year ended 31 December 2022 amounted to nil (30 June 2022: $474,196) or nil cents per unit (30 June 2022: 2.5 cents per unit).

Total Assets

The value of the Group's assets as at 31 December 2022 is $26,953,794 (30 June 2022: $22,518,648) as disclosed in the Condensed Consolidated Statement of Financial Position.

Directors' Report (continued)

Significant Changes in State of Affairs
In the opinion of the directors, there were no significant changes in the state of affairs of the Group that occurred during the half-year ended 31 December 2022.

Subsequent Events
The residual impacts of COVID-19 and emerging risks such as rising inflation and commodity prices, increasing interest rates and supply chain constraints continue to create uncertainty as businesses navigate a new landscape. At the date of signing the financial statements, uncertainty remains on the likely impact of these factors on the short and long-term performance of the Fund. The Responsible Entity will continue to assess this impact. The Fund continues to fulfil payment on all redemption requests in accordance with the current Product Disclosure Statement.

Other than above, there has not been any matter or circumstance that significantly affects or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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

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

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

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

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

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

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

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 3.

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

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

Hollie Wight
Executive Director
4 April 2023

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

To the Directors of K2 Asset Management Ltd

I declare that, to the best of my knowledge and belief, in relation to the review of Storehouse Residential Trust for the half-year ended 31 December 2022 there have been:

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

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

KPMG

Chris Wooden

Partner

Melbourne

4 April 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2022

	Notes	Half-year ended 31 December 2022 $	Half-year ended 31 December 2021 $
Income			
Interest income		324,795	216,985
Net (loss)/gain on financial instruments (shared equity) held at fair value through profit or loss		(20,489)	431,184
Net gain on investment property held at fair value		215,781	189,045
Rental income		45,253	-
Total income		**565,340**	**837,214**
Expenses			
Responsible entity fees	8	42,887	37,820
Management fee	8	116,183	86,713
Administration fees	8	27,675	9,768
Audit fees		30,732	9,152
Custodial fees		17,680	7,400
Legal fees		31,259	-
License fee	8	25,290	22,031
Registry fees	8	21,980	5,812
Rental expenses		46,433	-
Other expenses		21,580	150,345
Total expenses		**381,699**	**329,041**
Profit before finance costs attributable to unitholders for the half-year		**183,641**	**508,173**
Finance costs attributable to unitholders			
Distribution to unitholders		-	-
Increase in net assets attributable to unitholders		**183,641**	**508,173**
Other comprehensive income		-	-
Total comprehensive income for the half-year		**183,641**	**508,173**

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

Condensed Consolidated Statement of Financial Position as at 31 December 2022

	Notes	31 December 2022 $	30 June 2022 $
Assets			
Current assets			
Cash and cash equivalents	3	1,149,928	1,210,739
Trade and other receivables		487,858	293,353
Other assets		129,633	117,135
Total current assets		**1,767,419**	**1,621,227**
Non-current assets			
Investment property	4	3,023,605	2,798,541
Prepayments		100,000	100,000
Financial assets	5	22,062,770	17,998,880
Total non-current assets		**25,186,375**	**20,897,421**
Total assets		**26,953,794**	**22,518,648**
Liabilities			
Current liabilities			
Trade and other payables		87,295	294,959
Distribution payable		-	474,196
Funding facility	7	4,415	412,928
Total current liabilities		**91,710**	**1,182,083**
Non-current liabilities			
Funding facility	7	1,130,146	733,893
Total non-current liabilities		**1,130,146**	**733,893**
Total liabilities (excluding net assets attributable to unitholders)		**1,221,856**	**1,915,976**
Net assets attributable to unitholders - liability		**25,731,938**	**20,602,672**

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

Condensed Consolidated Statement of Changes in Equity for the half-year ended 31 December 2022

The Group's net assets attributable to unitholders are classified as a liability under AASB 132 *Financial Instruments: Presentation*. As the Group has no equity, the Group has not presented any items of changes in equity. Refer note 6(a) for reclassification of net assets attributable to unitholders from equity to liability.

Condensed Consolidated Statement of Cash Flows for the half-year ended 31 December 2022

	Notes	Half-year ended 31 December 2022 $	Half-year ended 31 December 2021 $
Cash flows from operating activities			
Proceeds from shared equity returns		272,151	211,515
Proceeds from shared equity investment exits		1,086,253	1,067,616
Payments for shared equity investments		(5,414,782)	(4,180,048)
Payments to suppliers and others		(469,478)	(230,857)
Interest received		24,499	508
Net cash used in operating activities		**(4,501,357)**	**(3,131,266)**
Cash flows from investing activities			
Rental income received		49,778	-
Payment for investment property costs		(17,571)	(163,337)
Other proceeds from investments		-	2,615
Net cash provided by/ (used in) investing activities		**32,207**	**(160,722)**
Cash flows from financing activities			
Net proceeds from issuance of units		4,835,990	3,291,110
Net distributions paid		(328,660)	(8,013)
Advisory fees paid		(20,530)	-
Payment of loans		(431,409)	-
Proceeds from loans		352,948	102,854
Net cash provided by financing activities		**4,408,339**	**3,385,951**
Net (decrease) / increase in cash and cash equivalents		**(60,811)**	**93,963**
Cash and cash equivalents at the beginning of half-year		1,210,739	803,069
Cash and cash equivalents at the end of half-year	3	**1,149,928**	**897,032**
Non-cash financing activities			
Distribution reinvestments		144,321	6,734

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

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2022

1. General Information

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

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

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

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

The condensed consolidated financial statements were authorised for issue by the directors on 4 April 2023. The directors of the Responsible Entity have the power to amend and reissue the condensed consolidated financial statements.

2. Summary of Significant Accounting Policies

a) Basis of preparation

The condensed consolidated interim financial report for the half-year ended 31 December 2022 has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

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

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

These condensed consolidated financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these condensed consolidated financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2022 and any public announcements made in respect of the Trust during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Except as disclosed in the financial report for the year ended 30 June 2022, there were no new accounting standards, amendments and interpretations that are expected to have a material impact on the condensed consolidated financial statements.

The significant accounting policies adopted in the preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Trust's financial statements for the year ended 30 June 2022.

b) Financial instruments

i) Initial recognition and measurement

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

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

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2022

2. Summary of Significant Accounting Policies (continued)

b) Financial instruments (continued)

ii) Classification and subsequent measurement

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

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are classified as measured at FVTPL.

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

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

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

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

Financial assets – Assessment whether contractual cash flows are solely payments or principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

2. Summary of Significant Accounting Policies (continued)

b) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

Financial assets (continued)

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

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

Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost

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

Financial assets at fair value through profit or loss

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

Financial Liabilities – Classification, subsequent measurement and gains and losses

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

iii) Offsetting

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

iv) Impairment

The Group recognises loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI. The Group did not have any debt investment measured at FVOCI during and as at 30 June 2022; and
- contract assets. The Group did not have any contract assets during and as at 30 June 2022.

Measurement of expected credit losses

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

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

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

2. Summary of Significant Accounting Policies (continued)

b) Financial instruments (continued)

iv) Impairment (continued)

Measurement of expected credit losses (continued)

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- finance contracts measured at amortised cost and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

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

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

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

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

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

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

Credit-impaired financial assets

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

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

Presentation of allowance for ECL in the Condensed Consolidated Statement of Financial Position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The amount of the impairment loss is recognised in the condensed consolidated Condensed Consolidated Statement of Profit or loss and Comprehensive Income within other expenses. When a financial asset for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Condensed Consolidated Statement of Profit or loss and Comprehensive Income.

v) Derecognition

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

2. Summary of Significant Accounting Policies (continued)

c) Critical accounting estimates and judgments

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

The Investment Manager has relied upon independent data reported by leading research groups including RP Data, Australian Property Monitors and Residex for the calculation of the shared equity fair value adjustment. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. The Investment Manager has made recommendations to the Responsible Entity for the half-year ended 31 December 2022. These recommendations have been adopted. Actual results may differ from these estimates. Refer to note 5 for the fair value as at 31 December 2022.

Significant judgement is also required in estimation of fair value of investment properties which are determined based on the valuation performed by external property valuers. Refer to note 4 for the fair value as at 31 December 2022.

3. Cash and cash equivalents

	31 December 2022 $	30 June 2022 $
Cash at bank	1,149,928	1,210,739
	1,149,928	**1,210,739**

4. Investment property

Developments commenced on Lot 6178 during 2021 with builders appointed to design and construct on a fixed price basis a two-storey residence and granny flat which will be held for long-term. The construction was completed in June 2022 with a fair value of $1.6 million determined by external, independent property valuers, having appropriate professional qualifications and experience. The fair value measurement has been categorised as level 3 fair value based on the unobservable inputs of expected market rental growth rate and occupancy rates used in the valuation technique.

Development approval for Lot 4047 was obtained in 2021 with an identical design to Lot 6178. Construction commenced under a fixed price contract during 2021 and was completed in June 2022.

The fair value measurement has been categorised as level 3 fair value based on the unobservable inputs of expected market rental growth rate, occupancy rates and recent sales of similar properties used in the valuation technique. The fair value of investment property is sensitive to change in property prices. A 5% increase/decrease in property prices will increase/decrease the fair value of investment property by $151k.

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

	31 December 2022 $	30 June 2022 $
Beginning balance	2,798,541	1,400,800
Purchase and direct costs incurred	9,283	951,725
Sale of property	-	-
Fair value adjustment	215,781	446,016
Closing balance	**3,023,605**	**2,798,541**

	31 December 2022 $	30 June 2022 $
Investment Property		
Non-current	3,023,605	2,798,541
Closing balance	**3,023,605**	**2,798,541**

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2022

5. Financial assets

	31 December 2022	30 June 2022
	$	$
Shared equity investment	22,062,770	17,998,880
Total financial assets	**22,062,770**	**17,998,880**

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

a) Fair value measurement of financial instruments

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

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

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 December 2022 and 30 June 2022.

	31 December 2022			
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Shared equity investment	-	-	22,062,770	22,062,770
Net fair value	**-**	**-**	**22,062,770**	**22,062,770**

	30 June 2022			
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Shared equity investment	-	-	17,998,880	17,998,880
Net fair value	**-**	**-**	**17,998,880**	**17,998,880**

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

The fair value of 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 property, or any other valuation technique or model that provides a reliable estimate of prices obtained in actual market transactions. There have been no changes to the valuation techniques for the half year ended 31 December 2022.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds.

Total gains or losses for the period included in Condensed Consolidated Statement of Profit or Loss attributable to changes in unrealized gains and losses relating to financial assets held at reporting date was loss of $220,496 (31 December 2021: profit of $234,132).

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2022

6. Units on issue

a) Units on issue

The Group has 23,472,769 units on issue (30 June 2022: 18,985,613) worth $25,731,938 (30 June 2022: $20,602,672). Movements in the number of units during the year were as follows:

	31 December 2022	30 June 2022
Number of fully paid units		
Opening balance	18,985,613	13,367,808
Applications (including reinvestments)	4,487,156	5,617,805
Closing balance	**23,472,769**	**18,985,613**

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

Reclassification of net assets attributable to unitholders
Net assets attributable to unitholders were previously recorded as equity, however as the Trust pays mandatory distributions, this has been reclassified as liability.

b) Capital management

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

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

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

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

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

7. Funding facility

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

Lot 6178 was refinanced with an AXIS Lending loan (#9115) on 27th September 2022, which included the full repayment of the Advantedge facility, loan from Xenjon Pty Limited and loan from Diversity Housing. This facility incurs interest at a rate of 5.94% p.a. (effective 8th December 2022) and is secured against Lot 6178.

Lot 4047 has the following two facilities with a tenure of 30 years secured against the property:

- AXIS Lending facility (#3977) which incurs interest at a rate of 5.95% p.a. (effective 8th December 2022); and
- AXIS Lending facility (#6414) which incurs interest at a rate of 5.95% p.a. (effective 8th December 2022)

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2022

7. Funding facility (continued)

The Group did not have any defaults of principal or interest or other breaches with respect to the funding facilities during the half-year ended 31 December 2022 and year ended 30 June 2022. The fair value of funding facility approximates the carrying value.

	31 December 2022 $	30 June 2022 $
Current		
Diversity Housing	-	260,903
Xenjon Pty Ltd	-	150,000
HAS Operations	4,415	2,025
	4,415	**412,928**
Non-current		
Origin Loan – Purchase	348,634	350,575
Origin Loan – Construction	347,794	295,545
Advantedge Financial Services	-	87,773
Axis Loan	433,718	-
	1,130,146	**733,893**

8. Related party transactions

The Group's main related parties are as follows:

(a) Responsible Entity

Transactions with Responsible Entity and its Associated Entities

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

Compensation

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

K2 Asset Management Ltd

Responsible Entity fees
Responsible Entity fees charged by K2 Asset Management Ltd of $42,887 were incurred for the half-year ended 31 December 2022 (31 December 2021: $12,082) of which $6,540 was payable to K2 Asset Management Ltd at the end of the half-year (30 June 2022: $nil).

One Managed Investment Funds Limited

Responsible Entity fees
Responsible Entity fees charged by One Managed Investment Funds Limited of $nil were incurred for the half-year ended 31 December 2022 (31 December 2022: $25,738) of which $nil (30 June 2022: $nil) was payable to the One Managed Investment Funds Limited at the end of the half-year.

Registry fees
Registry fees charged by One Registry Services Pty Limited of $nil were incurred for the half-year ended 31 December 2022 (31 December 2021: $5,812) of which $nil (30 June 2022: $nil) was payable to One Registry Services Pty Limited, a wholly owned subsidiary of One Investment Group, at the end of the half-year.

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2022

8. Related party transactions (continued)

(a) Responsible Entity (continued)

Accounting fees
Accounting and administration fees charged by Unity Fund Services Pty Limited of $nil were incurred for the half-year ended 31 December 2022 (31 December 2021: $9,768) of which $nil (30 June 2022: $nil) was payable to Unity Fund Services Pty Limited, an affiliated entity of the Responsible Entity, at the end of the half-year.

Tax fees
Tax fees charged by Unity Tax Services Pty Limited of $nil were incurred for the half-year ended 31 December 2022 (31 December 2021: $1,149) of which $nil (30 June 2022: $nil) was payable to Unity Tax Services Pty Limited, an affiliated entity of the Responsible Entity, at the end of the half-year.

(b) Investment Manager

Transactions with Investment Manager and its Associated Entities

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

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

Management fees
Management fees of $116,183 were incurred for the half-year ended 31 December 2022 (31 December 2021: $86,713) of which $31,795 (30 June 2022: $54,852) was payable to the Investment Manager at the end of the half-year.

License fees
License fees of $25,290 (31 December 2021: $22,031) was incurred for the half-year ended 31 December 2022 of which $4,813 (30 June 2022: $3,895) was payable to Delaney Willetts Trust, a related party of the Investment Manager, at the end of the half-year.

Tenant fees
Tenant fees of $nil were incurred for the half-year ended 31 December 2022 (31 December 2021: $4,064) of which $nil (30 June 2022: $nil) was payable to Home Affordability Solutions Pty Limited (“HAS”), a related party of the Investment Manager, at the end of the half-year.

Acquisition fees
Acquisition fees of $49,222 were incurred for half-year ended 31 December 2022 (31 December 2021: $43,041) of which $11,432 (30 June 2022: $13,312) was payable to the Investment Manager and HAS at the end of the half-year.

Loans and receivable
Loans and receivable balance of $22,062,770 as of 31 December 2022 (30 June 2022: $17,998,880) is receivable from HAS (see Note 5).

Loan payable
Loan balance of $nil as of 31 December 2022 (30 June 2022: $260,903) is payable to Diversity, a joint venture between the Investment Manager and HAS Housing and $4,415 (30 June 2022: $2,025) is payable to HAS Operations at the end of the half-year (see Note 7).

9. Events after the reporting period

There has not been any matter or circumstance that significantly affects or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

10. Contingent assets and liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 31 December 2022 and 30 June 2022.

Directors' Declaration

The directors of the Responsible Entity declare that:

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

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

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

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

Hollie Wight
Director
4 April 2023

Independent Auditor's Review Report

To the unitholders of Storehouse Residential Trust

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Storehouse Residential Trust (the Trust).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Consolidated Interim Financial Report of Storehouse Residential Trust does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Condensed consolidated statement of financial position as at 31 December 2022
- Condensed consolidated statement of comprehensive income for half-year ended on that date
- Condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date
- Notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises the Trust and the entities it controlled at the half year's end or from time to time during the half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Directors for the Condensed Consolidated Interim Financial Report

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

- the preparation of the Condensed Consolidated Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Condensed Consolidated Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Condensed Consolidated Interim Financial Report

Our responsibility is to express a conclusion on the Condensed Consolidated Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Condensed Consolidated Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Chris Wooden

Partner

Melbourne

4 April 2023