

The Gemi Fund

ABN 79 801 857 098

Annual report for the year ended 30 June 2023

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Directors' declaration

As detailed in note 3(a) to the financial statements, the Directors of Gemi Asset Management Pty Ltd (ABN 88 092 408 627, AFSL 231 175) (the "Trustee") have determined that The Gemi Fund (the "Fund") is not a reporting entity. Accordingly, the attached special purpose financial statements have been prepared to satisfy the Trustee's reporting requirements under the Fund's constitution.

The Directors of the Trustee declare that:

- (a) 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; and
- (b) in the Directors' opinion, the financial statements and notes thereto are in compliance with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in note 3 to the financial statements and present fairly the financial position and performance of the Fund.

On behalf of the Directors of the Trustee, Gemi Asset Management Pty Ltd.



Michael Cooper

Director

13 October 2023

Statement of profit or loss and other comprehensive income for the year ended 30 June 2023

	Notes	30 June 2023 \$	30 June 2022 \$
Income			
Interest income	4	32,197,087	24,866,324
Total income		32,197,087	24,866,324
Expenses			
Trustee fee	8	2,174,392	1,827,149
Total expenses		2,174,392	1,827,149
Net income attributable to unitholders before finance costs		30,022,695	23,039,175
Finance costs attributable to unitholders			
Distributions to unitholders		(30,022,695)	(23,039,175)
(Increase)/decrease in net assets attributable to unitholders		-	-
Net profit attributable to unitholders after finance costs		-	-
Other comprehensive income/(loss) for the year		-	-
Total comprehensive income/(loss) for the year		-	-

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position as at 30 June 2023

	Notes	30 June 2023 \$	30 June 2022 \$
Assets			
Current assets			
Cash and cash equivalents	5(a)	2,768,762	11,982,429
Financial assets	6	207,510,624	174,992,507
GST receivable		43,854	36,286
Interest receivable		3,393,195	2,281,285
Total current assets		213,716,435	189,292,507
Total assets		213,716,435	189,292,507
Liabilities			
Current liabilities			
Payables and accruals	7	7,056,433	5,537,016
Total current liabilities		7,056,433	5,537,016
Total liabilities		7,056,433	5,537,016
Net assets attributable to the unitholders - liabilities		206,660,002	183,755,491

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

Statement of changes in net assets attributable to unitholders for the year ended 30 June 2023

	Net assets attributable to unitholders of the fund \$
Opening balance as at 1 July 2022	<u>183,755,491</u>
Applications for units by unitholders	69,296,287
Redemptions of units by unitholders	(53,690,924)
Reinvestments by unitholders	7,299,148
Increase/(decrease) in net assets attributable to unitholders	<u>-</u>
Balance as at 30 June 2023	<u>206,660,002</u>

	Net assets attributable to unitholders of the fund \$
Opening balance as at 1 July 2021	<u>108,072,088</u>
Applications for units by unitholders	121,035,212
Redemptions of units by unitholders	(50,158,379)
Reinvestments by unitholders	4,806,570
Increase/(decrease) in net assets attributable to unitholders	<u>-</u>
Balance as at 30 June 2022	<u>183,755,491</u>

The above statement of changes in net assets attributable to unitholders should be read in conjunction with the accompanying notes.

Statement of cash flows for the year ended 30 June 2023

	30 June 2023	30 June 2022
Notes	\$	\$
Cash flows from operating activities		
Interest received	12,563,509	16,198,282
Payments to suppliers	(2,161,385)	(1,769,134)
Investment in financial assets	(18,875,514)	(75,500,932)
Net cash outflow from operating activities	5(b) (8,473,390)	(61,071,784)
Cash flows from financing activities		
Proceeds from issue of units	69,296,287	121,041,562
Payments for redemptions of units	(52,166,784)	(47,660,897)
Distributions paid to unitholders	(17,869,780)	(15,751,888)
Net cash (outflow from)/inflow from financing activities	(740,277)	57,628,777
Net decrease in cash and cash equivalents	(9,213,667)	(3,443,007)
Cash and cash equivalents at the beginning of the year	11,982,429	15,425,436
Cash and cash equivalents at the end of the year	5(a) 2,768,762	11,982,429

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

Notes to the financial statements

1. General information

This financial report covers The Gemi Fund (ABN 79 801 857 098) (the "Fund") which is an unlisted and unregistered managed investment scheme, structured as a unit trust.

The Fund pools investors' money and invests into an underlying portfolio of loans secured by real property mortgages over real estate assets located in Australia.

The Trustee of the Fund is Gemi Asset Management Pty Ltd (ABN 88 092 408 627 , AFSL 231 175) (the "Trustee"). The Trustee's registered office and principal place of business is Level 6, 4 Martin Place, Sydney NSW 2000.

The Fund was established by a constitution on 24 April 2019 and commenced operation on 1 May 2019 via the issue of units to unitholders. The financial report covers the year ended 30 June 2023.

The Investment Manager for the Fund is Gemi Investments Pty Ltd (ACN 626 991 213) (the "Manager").

The financial statements were authorised for issue by the Directors of the Trustee ("Directors") on 13 October 2023.

2. Adoption of new and revised accounting standards and interpretations

The Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and are effective for the current financial reporting year ended 30 June 2023.

Any new or amended Accounting Standards and Interpretations that are not yet mandatory have not been early adopted.

3. Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements.

a) Basis of preparation

The Fund, a for-profit entity, has prepared a special purpose financial report as, in the opinion of the Directors:

- The Fund is not publicly accountable
- The Fund is not required by applicable legislation or its constituting document to prepare general purpose financial statements

This special purpose financial report has been prepared to satisfy the Trustee's reporting requirements under the Fund's constitution.

This special purpose financial report has been prepared on the historical cost basis and is presented in Australian dollars. All values are rounded to the nearest dollar amount.

Notes to the financial statements

3. Significant accounting policies (continued)

b) Statement of compliance

This special purpose financial report has been prepared in accordance with the requirements of the Fund's constitution and the recognition and measurement requirements specified by all Accounting Standards and Interpretations. The material accounting policies adopted in the special purpose financial report are set out in paragraphs 3(d) to 3(m). The Fund has consistently applied these material accounting policies to all periods presented in this financial report.

The financial report includes only the disclosures of the following Australian Accounting Standards and those disclosures considered necessary by the Directors to meet the needs of users:

- AASB 101 Presentation of Financial Statements
- AASB 107 Statement of Cash Flows
- AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors

c) Going concern basis

This special purpose financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

d) Revenue and income recognition

Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured.

Interest income

The Fund generates interest income from its investments in financial assets, loans and cash investments. Interest income is recognised daily as it accrues, taking into account the actual interest rate on the financial asset and is recognised in the statement of profit or loss and other comprehensive income.

e) Expenses

Expenses

All expenses, including Trustee's fees, are recognised in the statement of profit or loss and other comprehensive income on an accruals basis.

f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the financial statements

3. Significant accounting policies (continued)

g) Distributions

In accordance with the Fund's constitution, the Fund attributes its distributable (taxable) income and any other amounts determined by the Trustee to the unitholders. Reinvested distributions are recognised as changes in net assets attributable to unitholders.

h) Financial instruments

Classification and measurement

The classification is determined by the purpose underpinning the acquisition of the investment.

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that represent solely payment of principal and interest requirements. Interest income from these financial assets is recognised in the statement of profit or loss and other comprehensive income.

Accordingly, the Fund classifies its financial assets as measured at amortised cost.

Derecognition

Financial assets are derecognised if the Fund's contractual rights to the cash flows from the financial assets expire, or if the Fund transfers the financial assets to another party without retaining substantially all the risks and rewards attached to the asset.

Any gain or loss arising on derecognition is recognised in the statement of profit or loss and other comprehensive income.

Impairment

The Fund assesses on a forward-looking basis the expected credit loss (if any) associated with the financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Any impairment loss is recognised in the statement of profit or loss and other comprehensive income.

i) Interest receivable

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 3(d) above. Amounts are generally received within 30 days of being recorded as receivables or capitalised into the loan balance in accordance with the Fund's lending terms.

j) Payables

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

k) Net assets attributable to unitholders - liabilities

Units can be redeemed at the unitholders' request, however the Trustee has the discretion to determine if the request will be accepted. The units can be redeemed for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to the unitholders.

Notes to the financial statements

3. Significant accounting policies (continued)

l) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:

- where the amount of GST is not recoverable from the taxation authority, it is recognised as part of the acquisition of an asset or part of an item of expense; or for receivables and payables which are recognised inclusive of GST.
- the net amount of GST recoverable from, or payable to, the taxation authority is recognised as a receivable or payable on the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis.

The GST component of cash flows arising from investing activities which is recoverable from or payable to the taxation authority is classified as operating cash flow.

The GST incurred on the cost provided to the Fund by third party such as Trustee fees was subjected to the Reduced Input Tax Credits ("RITC") in accordance with legislation.

m) Taxation

Under current income tax legislation the Fund is not liable to pay income tax as the net income of the Fund is assessable in the hands of the beneficiaries (the unitholders) who are 'presently entitled' to the income of the Fund . There is no income of the Fund to which the unitholders are not presently entitled and additionally, the Fund's constitution requires the distribution of the full amount of the net income of the Fund to the unitholders each period.

As a result, deferred taxes have not been recognised in the financial statements in relation to differences between the carrying amounts of assets and liabilities and their respective tax bases, including taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. If taxable gains are realised by the Fund, these gains would be included in the taxable income that is assessable in the hands of the unitholders as noted above.

n) Critical accounting judgements, estimates and assumptions

The preparation of the financial statements in conformity with accounting standards requires the use of certain critical accounting estimates. It also requires the Trustee to exercise its judgement in the process of applying the Fund's accounting policies. The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. Interest income

	30 June 2023	30 June 2022
	\$	\$
Interest income - St George Bank	193,063	5,542
Interest income - The Gemi Cash Management Fund	132,901	35,876
Interest income - investments	31,871,123	24,824,906
Total interest income	32,197,087	24,866,324

Notes to the financial statements

5. Cash and cash equivalents

a) Cash and cash equivalents include cash at bank and an investment in a cash management trust. Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	30 June 2023	30 June 2022
	\$	\$
Cash at bank	2,768,003	10,532,986
Cash in The Gemi Cash Management Fund	759	1,449,443
Balance at end of year	2,768,762	11,982,429

Cash at bank earns interest at floating rates based on daily bank deposit rates.

b) Reconciliation of net income attributable to unitholders for the year to net cash used in operating activities:

	1 July 2022	1 July 2021
	to	to
	30 June 2023	30 June 2022
	\$	\$
Increase/(decrease) in net assets attributable to unitholders	-	-
Adjustments for:		
Distributions to unitholders	30,022,695	23,039,175
Capitalised interest	(18,521,668)	(7,466,822)
Change in assets and liabilities:		
Net changes in financial assets	(18,875,514)	(75,500,932)
Net changes in receivables	(1,119,479)	(1,209,519)
Net changes in payables and accruals	20,576	66,314
Net cash outflow from operating activities	(8,473,390)	(61,071,784)

c) Non-cash financing activities

Non-cash financing activities of \$7,299,148 were incurred for the financial year ended 30 June 2023 (2022: \$4,800,220).

Notes to the financial statements

6. Financial assets

	30 June 2023	30 June 2022
	\$	\$
Loans	207,510,624	174,992,507
Total loans	207,510,624	174,992,507

The Fund predominantly invests in an underlying portfolio of first ranking loans secured by mortgages over real estate in Australia. All investments are made in accordance with the Fund's lending guidelines.

7. Payables and accruals

	30 June 2023	30 June 2022
	\$	\$
Distribution payable	2,175,747	2,413,043
Distribution reinvestments	667,626	459,004
WHT payable	11,306	7,931
Trustee fee payable	180,132	159,556
Redemptions payable	4,021,622	2,497,482
Balance at end of year	7,056,433	5,537,016

8. Related party transactions

Transactions with related parties were on terms and conditions no more favourable than those applying in the ordinary course of business.

Transactions with trustee and its associated entities

The Trustee of the Fund is Gemi Asset Management Pty Ltd (ABN 88 092 408 627, AFSL 231 175).

The key personnel of the Trustee for the financial year ended 30 June 2023 were:

Name	Title
George Fleming	Chief Executive Officer and The Secretary of the Licensee
Michael Cooper	Executive Director
Justin Epstein	Responsible Manager

The key personnel of the Trustee and their associated entities hold the following units and interest in the Fund as at 30 June 2023. No fees or remuneration was paid directly to the key personnel from the Fund during the year.

	30 June 2023			30 June 2022		
	Class	Units held	% of the Fund	Class	Units held	% of the Fund
Gemi Investments Pty Ltd	Manager	5,171,134	2.50%	Manager	5,171,134	2.81%
Total		5,171,134	2.50%		5,171,134	2.81%

Notes to the financial statements

8. Related party transactions (continued)

Transactions with trustee and its associated entities (continued)

Trustee fees

Trustee fees are the fees charged to manage and oversee the operation of the Fund. Under the Information Memorandum, the Trustee is entitled to a fee equal to 1% per annum of the Fund's gross asset value and is payable out of the assets of the Fund. The fee is calculated daily and will accrue and is payable to the Trustee monthly in arrears.

Trustee fees of \$2,174,392 (inclusive of non-claimable RITC amount) were incurred for the financial year ended 30 June 2023 (2022: \$1,827,149), of which \$180,132 (inclusive of non-claimable RITC amount) was payable at 30 June 2023 (2022: \$159,556).

There were no other fees paid or payable to the Trustee for the financial year ended 30 June 2023.

Management fees

The Manager is not entitled to a fee payable out of the assets of the Fund.

There were no other fees paid or payable to the Manager for the financial year ended 30 June 2023.

9. Remuneration of auditors

	30 June 2023	30 June 2022
	\$	\$
Audit of the financial statements	16,700	15,900
Total audit fees	16,700	15,900

The auditor of The Gemi Fund is Crowe Sydney. Audit fee will be paid by the Trustee.

10. Events occurring after the reporting period

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

11. Contingent assets, liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2023 (2022:Nil).

Independent Auditor's Report to the Unitholders of The Gemi Fund

Opinion

We have audited the financial report of The Gemi Fund (the Fund) which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of changes in net assets attributable to unitholders and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and other explanatory information, and the directors' declaration of the Fund.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Fund as at 30 June 2023 and of its financial performance and its cash flows for the year then ended in accordance with the basis of accounting as described in Note 3 to the financial report.

Basis for Opinion

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

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

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Emphasis of Matter – Basis of Preparation and Restriction on Distribution and Use

We draw attention to Note 3 to the financial report, which describes the basis of preparation. The financial report has been prepared by the Trustee to satisfy the requirements of the Fund's Constitution and to meet the needs of the unitholders. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Trustee's Responsibility for the Financial Report

The directors of Gemi Asset Management Pty Ltd, as Trustee of the Fund, are responsible for the preparation of the financial report in accordance with basis of preparation as described in Note 3 of the financial report and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

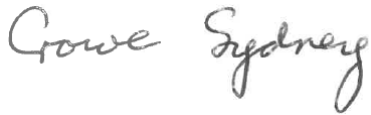
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by those charged with governance.
- Conclude on the appropriateness of those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report 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 Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



Crowe Sydney



John Haydon
Senior Partner

13 October 2023
Sydney