

# FORT STREET REAL ESTATE CAPITAL

(ARSN Fund I: 163 688 346 Fund II: 169 190 498 Fund III: 605 335 957)



## FSREC PROPERTY FUND INTERIM REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2023



RESPONSIBLE ENTITY

EQUITY TRUSTEES LIMITED  
(ABN 46 004 031 298) (AFSL 240975)

## FSREC Property Fund

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31 December 2023

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This interim report covers FSREC Property Fund (**the Fund**) as a stapled group comprising of Fort Street Real Estate Capital Fund I, Fort Street Real Estate Capital Fund II and Fort Street Real Estate Capital Fund III (**the Schemes**).

This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made in respect of the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The Responsible Entity of the Schemes is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:

Level 1, 575 Bourke Street  
Melbourne, VIC 3000

**FSREC Property Fund**  
**Funds from operations**  
**31 December 2023**

Funds From Operations (**FFO**) is a non-International Financial Reporting Standards (**IFRS**) financial measure. FFO is a market accepted measure of a real estate investment fund's operating performance. The Property Council of Australia provides best practice guidelines for the calculation of FFO, which have been followed by FSREC Property Fund.

FFO is determined by adjusting statutory net profit or loss after tax for certain non-cash items such as depreciation, impairment and amortisation. Other one-off items may also be adjusted to provide a clearer indication of the Fund's half-year FFO.

	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit for the half-year</b>	<b>4,982</b>	<b>5,517</b>
<b>Adjustments:</b>		
Fair value movement of investment properties	2,942	3,457
Fair value movement of derivative financial instruments	354	-
Straight-lining of rental revenue and incentive amortisation	1,847	893
Other items and amortisation of capitalised lease costs	580	720
<b>FFO</b>	<b>10,705</b>	<b>10,587</b>
<b>Distributions for the half-year</b>	<b>9,134</b>	<b>9,134</b>
	<b>Cents per stapled security</b>	<b>Cents per stapled security</b>
<b>FFO</b>	<b>4.34</b>	<b>4.29</b>
<b>Distributions</b>	<b>3.70</b>	<b>3.70</b>

Distributions for the half-year represented a payout ratio of 85% of FFO (31 December 2022: 86%).

**FSREC Property Fund**  
**Directors' report**  
**31 December 2023**

**Introduction**

The directors of Equity Trustees Limited, as Responsible Entity of Fort Street Real Estate Capital Fund I, Fort Street Real Estate Capital Fund II and Fort Street Real Estate Capital Fund III, which collectively form a stapled group known as FSREC Property Fund (**the Fund**), present their report together with the interim financial statements of the Fund for the half-year ended 31 December 2023. These interim financial statements have been prepared as it is a disclosing entity under the *Corporations Act 2001*.

The half-year financial report of FSREC Property Fund comprises Fort Street Real Estate Capital Fund I and its controlled entities. The controlled entities of Fort Street Real Estate Capital Fund I include subsidiaries by way of ownership interests (collectively, **FSREC Fund I**) and other members of the stapled group, being Fort Street Real Estate Capital Fund II and its controlled entities (collectively, **FSREC Fund II**) and Fort Street Real Estate Capital Fund III and its controlled entities (collectively, **FSREC Fund III**).

**Principal activities**

Fort Street Real Estate Capital Fund I, Fort Street Real Estate Capital Fund II and Fort Street Real Estate Capital Fund III are unlisted managed investment schemes stapled together and registered in Australia.

The Fund invests in Australian commercial properties for the purposes of deriving rental income and capital growth.

The Fund did not have any employees during the half-year ended 31 December 2023 (31 December 2022: Nil).

There were no significant changes in the nature of the Fund's activities during the half-year ended 31 December 2023.

The various service providers for the Fund are detailed below.

**Service**

Responsible Entity  
Investment Manager and Property Manager  
Fund Administrator  
Custodian  
Statutory Auditor  
Unit Registry

**Provider**

Equity Trustees Limited  
Fort Street Real Estate Capital Pty Ltd  
Fort Street Real Estate Capital Pty Ltd  
The Trust Company (Australia) Limited  
Deloitte Touche Tohmatsu  
Boardroom Pty Limited

**Directors**

The following persons held office as directors of Equity Trustees Limited during or since the end of the half-year and up to the date of this report:

Philip D Gentry	Chairman
Michael J O'Brien	
Russell W Beasley	
Mary A O'Connor	
David B Warren	

**Review of financial results and operations**

The performance of the Fund, as represented by the results of its operations, was as follows:

	31 December 2023	31 December 2022
Profit for the half-year (\$'000)	4,982	5,517
Distributions paid and payable (\$'000)	9,134	9,134
Distributions (cents per stapled security)	3.70	3.70

**FSREC Property Fund**  
**Directors' report**  
**31 December 2023**

**Distributions**

Distributions declared by the Fund during the half-year were as follows:

	<b>31 December 2023 \$'000</b>
1.85 cents per stapled security for the period ended 30 September 2023 paid on 7 November 2023	4,567
1.85 cents per stapled security for the period ended 31 December 2023 paid on 2 February 2024	4,567
	<hr/> 9,134 <hr/>

**Significant changes in the state of affairs**

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the half-year ended 31 December 2023.

**Matters subsequent to the end of the period**

No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may have a significant effect on:

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

**Rounding of amounts to the nearest thousand dollars**

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

**Financial statements presentation**

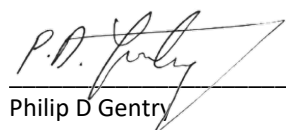
The financial report of FSREC Property Fund is presented in accordance with an ASIC Order 21-0740 issued on 14 September 2021 (**Relief Instrument**). The Relief Instrument allows the Fund to present the consolidated financial statements of the relevant entity, FSREC Fund I and its controlled entities, in one section and all other reporting group members (**FSREC Fund II** and **FSREC Fund III**) in a separate section in adjacent columns.

**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 immediately after this Directors' Report.

This report is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.

On behalf of the directors



Philip D Gentry  
Chairman

Melbourne  
12 March 2024

12 March 2024

The Board of Directors  
Equity Trustees Limited as Responsible Entity for:  
Fort Street Real Estate Capital Fund I  
Fort Street Real Estate Capital Fund II and  
Fort Street Real Estate Capital Fund III  
Level 1, 575 Bourke Street  
Melbourne VIC 3000

Dear Board Members

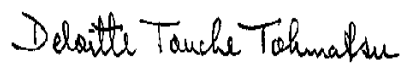
**Auditor's Independence Declaration to Fort Street Real Estate Capital Fund I, Fort Street Real Estate Capital Fund II and Fort Street Real Estate Capital Fund III**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of the Responsible Entity of Fort Street Real Estate Capital Fund I, Fort Street Real Estate Capital Fund II and Fort Street Real Estate Capital Fund III.

As lead audit partner for the review of the half year financial report of Fort Street Real Estate Capital Fund I, Fort Street Real Estate Capital Fund II and Fort Street Real Estate Capital Fund III for the half year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Weng W Ching  
Partner  
Chartered Accountants

# FSREC PROPERTY FUND INTERIM FINANCIAL STATEMENTS



**FSREC Property Fund**
**Condensed consolidated statement of profit or loss and other comprehensive income  
For the half-year ended 31 December 2023**

	Note	31 December 2023 \$'000	31 December 2022 \$'000
<b>Investment income</b>			
Rental income		24,118	23,947
Other property income		5,850	5,880
Finance income		90	55
Fair value movement of investment properties	3	(2,942)	(3,457)
<b>Total investment income</b>		<b>27,116</b>	<b>26,425</b>
<b>Expenses</b>			
Investment property expenses		12,529	11,235
Finance expenses		6,208	5,245
Responsible Entity and Trustee fees	11	121	868
Management fees	11	2,905	2,862
Accounting and audit fees		220	222
Other expenses		151	476
<b>Total expenses</b>		<b>22,134</b>	<b>20,908</b>
<b>Profit for the half-year</b>		<b>4,982</b>	<b>5,517</b>
<b>Other comprehensive (loss)/income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Effective portion of changes in fair value of cash flow hedge		(3,809)	416
<b>Other comprehensive (loss)/income for the half-year</b>		<b>(3,809)</b>	<b>416</b>
<b>Total comprehensive income for the half-year</b>		<b>1,173</b>	<b>5,933</b>
Profit for the half-year attributable to:			
Ordinary securityholders of the Fund			
- Unitholders of FSREC Fund I		5,012	2,887
- Unitholders of FSREC Fund II and FSREC Fund III		(30)	2,629
Other non-controlling interest		-	1
		<b>4,982</b>	<b>5,517</b>
Total comprehensive income for the half-year attributable to:			
Ordinary securityholders of the Fund			
- Unitholders of FSREC Fund I		1,203	3,303
- Unitholders of FSREC Fund II and FSREC Fund III		(30)	2,629
Other non-controlling interest		-	1
		<b>1,173</b>	<b>5,933</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per stapled security	2	2.02	2.23
Diluted earnings per stapled security	2	2.02	2.23

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



**FSREC Property Fund**  
**Condensed consolidated statement of financial position**  
**As at 31 December 2023**

	Note	31 December 2023 \$'000	30 June 2023 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		11,625	8,698
Trade and other receivables		1,115	5,023
Derivative financial instruments		2,679	3,777
Prepayments		773	1,345
<b>Total current assets</b>		<b>16,192</b>	<b>18,843</b>
<b>Non-current assets</b>			
Investment properties	3	696,150	698,000
Derivative financial instruments		505	2,291
<b>Total non-current assets</b>		<b>696,655</b>	<b>700,291</b>
<b>Total assets</b>		<b>712,847</b>	<b>719,134</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	4	8,789	10,950
Derivative financial instruments		42	-
Distribution payable		4,574	4,575
<b>Total current liabilities</b>		<b>13,405</b>	<b>15,525</b>
<b>Non-current liabilities</b>			
Borrowings	5	260,984	258,322
Derivative financial instruments		1,155	-
<b>Total non-current liabilities</b>		<b>262,139</b>	<b>258,322</b>
<b>Total liabilities</b>		<b>275,544</b>	<b>273,847</b>
<b>Net assets</b>		<b>437,303</b>	<b>445,287</b>
<b>Equity</b>			
Issued capital	6	178,376	178,376
Cash flow hedge reserve	7	1,805	5,614
Retained profits		45,000	46,247
Equity attributable to the securityholders of FSREC Fund I		225,181	230,237
Total equity attributable to other members of the Fund – FSREC Fund II and FSREC Fund III		212,122	215,027
Other non-controlling interest		-	23
<b>Total equity</b>		<b>437,303</b>	<b>445,287</b>

*The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes*

**FSREC Property Fund**  
**Condensed consolidated statement of changes in equity**  
**For the half-year ended 31 December 2023**

	Issued capital \$'000	Cash flow hedge reserve \$'000	Retained profits \$'000	Equity attributable to other members - FSREC Fund II and FSREC Fund III \$'000	Other non- controlling interest \$'000	Total equity \$'000
Balance at 1 July 2023	178,376	5,614	46,247	215,027	23	445,287
Profit for the half-year	-	-	5,012	(30)	-	4,982
Other comprehensive income for the half-year	-	(3,809)	-	-	-	(3,809)
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>(3,809)</b>	<b>5,012</b>	<b>(30)</b>	<b>-</b>	<b>1,173</b>
Acquisition of other non- controlling interest	-	-	-	-	(23)	(23)
<i>Transactions with securityholders in their capacity as securityholders:</i>						
Distributions declared	-	-	(6,259)	(2,875)	-	(9,134)
<b>Balance at 31 December 2023</b>	<b>178,376</b>	<b>1,805</b>	<b>45,000</b>	<b>212,122</b>	<b>-</b>	<b>437,303</b>

	Issued capital \$'000	Cash flow hedge reserve \$'000	Retained profits \$'000	Equity attributable to other members - FSREC Fund II and FSREC Fund III \$'000	Other non- controlling interest \$'000	Total equity \$'000
<b>Balance at 1 July 2022</b>	176,925	6,168	51,340	219,081	23	453,537
Profit for the half-year	-	-	2,887	2,629	1	5,517
Other comprehensive income for the half-year	-	416	-	-	-	416
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>416</b>	<b>2,887</b>	<b>2,629</b>	<b>1</b>	<b>5,933</b>
<i>Transactions with securityholders in their capacity as securityholders:</i>						
Issue of stapled securities	45,699	-	-	42,704	-	88,403
Redemption of stapled securities	(44,170)	-	-	(41,419)	-	(85,589)
Redemption costs	(78)	-	-	(73)	-	(151)
Distributions declared	-	-	(5,764)	(3,370)	-	(9,134)
<b>Balance at 31 December 2022</b>	<b>178,376</b>	<b>6,584</b>	<b>48,463</b>	<b>219,552</b>	<b>24</b>	<b>452,999</b>

*The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes*

**FSREC Property Fund**  
**Condensed consolidated statement of cash flows**  
**For the half-year ended 31 December 2023**

	Note	31 December 2023 \$'000	31 December 2022 \$'000
<b>Cash flows from operating activities</b>			
Rental and other income received		35,177	32,570
Interest income received		90	55
Finance costs		(5,221)	(3,720)
Payments to suppliers		(21,253)	(19,851)
<b>Net cash from operating activities</b>		<b>8,793</b>	<b>9,054</b>
<b>Cash flows from investing activities</b>			
Receipt of insurance proceeds for restoration works		2,633	13,264
Payments for capital expenditure		(1,641)	(15,435)
<b>Net cash from/(used in) investing activities</b>		<b>992</b>	<b>(2,171)</b>
<b>Cash flows from financing activities</b>			
Issue of stapled securities, net of costs		-	88,403
Payment of redemption of stapled securities and redemption costs		-	(85,740)
Acquisition of other non-controlling interest		(23)	-
Gross proceeds from borrowings		2,300	800
Distributions paid	8	(9,135)	(9,506)
<b>Net cash used in financing activities</b>		<b>(6,858)</b>	<b>(6,043)</b>
Net increase in cash and cash equivalents		2,927	840
Cash and cash equivalents at the beginning of the half-year		8,698	9,768
<b>Cash and cash equivalents at the end of the half-year</b>		<b>11,625</b>	<b>10,608</b>

*The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes*

**FSREC Property Fund**  
**Notes to the interim financial statements**  
**31 December 2023**

**1. General information**

These interim financial statements cover FSREC Property Fund (**the Fund**), which is a stapled group comprising of Fort Street Real Estate Capital Fund I and its controlled entities. Fort Street Real Estate Capital Fund I is an unlisted managed investment scheme registered and domiciled in Australia. The controlled entities of Fort Street Real Estate Fund I include subsidiaries by way of ownership interests (collectively, **FSREC Fund I**) and other members of the stapled group, being Fort Street Real Estate Capital Fund II and its controlled entities (collectively, **FSREC Fund II**) and Fort Street Real Estate Capital Fund III and its controlled entities (collectively, **FSREC Fund III**). The principal activity of the Fund is to invest in Australian commercial properties.

The Responsible Entity of Fort Street Real Estate Capital Fund I, Fort Street Real Estate Capital Fund II and Fort Street Real Estate Capital Fund III (together, **the Schemes**) is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the **Responsible Entity**). The Responsible Entity's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. The interim financial statements are presented in the Australian currency unless otherwise noted.

The Responsible Entity of the Schemes takes responsibility for the financial reports of the Schemes. The interim financial statements were authorised for issue by the directors on the date the directors' declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the interim financial statements.

**Basis of preparation**

These interim financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*.

For the purposes of preparing the interim financial statements, the Fund is a for-profit entity.

These interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2023 and any public announcements made in respect of the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

FSREC Property Fund was established through the restructure of FSREC Fund I, FSREC Fund II, FSREC Fund III and FSREC Fund IV (**Restructure**) on 23 December 2020. The Restructure comprised of FSREC Fund I's acquisition of all units in FSREC Fund IV and the subsequent stapling of FSREC Fund I, FSREC Fund II and FSREC Fund III. FSREC Property Fund operates as a single coordinated economic entity with a common board of directors and management team.

In accordance with the Australian Accounting Standards, the stapling of the issued units of FSREC Fund I, FSREC Fund II and FSREC Fund III is accounted for as a business combination. FSREC Fund I has been determined as the accounting acquirer and is therefore deemed to be the parent in the interim financial statements. In accounting for this business combination, the assets and liabilities of FSREC Fund II and FSREC Fund III have been recognised at their fair values at the date of acquisition with the corresponding recognition of the unitholders' equity in FSREC Fund II and FSREC Fund III in "Equity attributable to other members" in the condensed consolidated statement of changes in equity. "Equity attributable to other members" in the condensed consolidated statement of changes in equity represents the interest of the unitholders of FSREC Fund II and FSREC Fund III in FSREC Property Fund by virtue of the stapling arrangement.

The interim financial statements of the Fund have been prepared in accordance with an ASIC Order 21-0740 issued on 14 September 2021. The Relief Instrument allows the Fund to present the interim financial statements of the relevant entity (FSREC Fund I) in one section and all other reporting group members (FSREC Fund II and FSREC Fund III) in a separate section in adjacent columns.

The directors are satisfied that the Fund has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the interim financial statements.

**FSREC Property Fund**  
**Notes to the interim financial statements**  
**31 December 2023**

**1. General information (continued)**

**Material accounting policies**

The accounting policies applied in these interim financial statements are the same as those applied to the Fund's financial statements for the year ended 30 June 2023 except as discussed in (i) *New and amended standards adopted by the Fund* below. The accounting policies are consistent with Australian Accounting Standards and with IFRS Accounting Standards.

*i. New and amended standards adopted by the Fund*

The Fund has applied the following standards and amendments for the first time for its financial year beginning 1 July 2023:

- AASB 2021-2 Amendments to Australian Accounting Standards - *Disclosure of Accounting Policies and Definition of Accounting Estimates* [AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2].

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

None of the other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2023 have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

*ii. New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2024 and have not been early adopted in preparing these interim financial statements.

None of these are expected to have a material effect on the interim financial statements of the Fund.

**2. Earnings per stapled security**

	<b>31 December 2023 \$'000</b>	<b>31 December 2022 \$'000</b>
Profit for the half-year	4,982	5,517
Other non-controlling interest	-	(1)
<b>Profit attributable to the securityholders of FSREC Property Fund</b>	<b>4,982</b>	<b>5,516</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of securities used in calculating basic earnings per stapled security	246,872,662	246,876,848
Weighted average number of securities used in calculating diluted earnings per stapled security	246,872,662	246,876,848
	<b>Cents</b>	<b>Cents</b>
Basic earnings per stapled security	2.02	2.23
Diluted earnings per stapled security	2.02	2.23

**FSREC Property Fund**  
**Notes to the interim financial statements**  
**31 December 2023**

**3. Investment properties**

	<b>31 December 2023 \$'000</b>	<b>30 June 2023 \$'000</b>
Disclosed in condensed consolidated statement of financial position as:		
<i>Non-current assets</i>		
Investment properties - at fair value	<u>696,150</u>	<u>698,000</u>
<i>Movement in investment properties - at fair value</i>		
Carrying amount of investment properties at beginning of the half-year	698,000	703,700
Capital expenditure	601	4,134
Rental straight-lining, tenant incentives and other adjustments	491	1,007
Fair value movement	<u>(2,942)</u>	<u>(10,841)</u>
<b>Carrying amount of investment properties at end of the half-year</b>	<b><u>696,150</u></b>	<b><u>698,000</u></b>

*Fair value*

At the reporting date, the Fund's investment properties consist of twelve commercial properties in Australia which are carried at fair value.

The 31 December 2023 fair value amounts were determined by way of independent valuation on all investment properties using a combination of discounted cash flow (**DCF**) and capitalisation rate methods based on market conditions existing at balance date.

The valuation techniques utilise inputs categorised as level 3 in the fair value hierarchy, being based on unobservable market inputs. The key unobservable inputs include the maintainable earnings and capitalisation rate (range 5.50% - 6.75%) applied in the capitalisation rate method, and the estimated rental values, rental growth rates, long term vacancy rates, lease incentives and discount rates (range 6.25%-7.50%) applied in the DCF method. A reduction in capitalisation and discount rates and an increase in maintainable earnings and rental growth rates would result in an increase in fair value, and vice versa.

Refer to Note 9 for further information on fair value measurement.

**4. Trade and other payables**

	<b>31 December 2023 \$'000</b>	<b>30 June 2023 \$'000</b>
<i>Current liabilities</i>		
Trade payables	137	472
Accrued liabilities	6,315	7,407
Contract liabilities (deferred income)	1,572	2,387
GST payable	<u>765</u>	<u>684</u>
<b>Total trade and other payables</b>	<b><u>8,789</u></b>	<b><u>10,950</u></b>

**FSREC Property Fund**  
**Notes to the interim financial statements**  
**31 December 2023**

**5. Borrowings**

	<b>31 December 2023 \$'000</b>	<b>30 June 2023 \$'000</b>
<i>Non-current liabilities</i>		
Secured bank loan - net of borrowing costs	<u>260,984</u>	<u>258,322</u>

*Financing arrangements*

As at 31 December 2023, the Fund had a \$300 million loan facility (30 June 2023: \$300 million) with National Australia Bank Limited at a variable interest rate with reference to the Bank Bill Swap Rate (**BBSY**) repayable on 19 April 2025.

	<b>31 December 2023 \$'000</b>	<b>30 June 2023 \$'000</b>
Total facilities		
Secured bank loan facilities	<u>300,000</u>	<u>300,000</u>
Used at the reporting date		
Secured bank loan facilities	<u>261,916</u>	<u>259,616</u>
Unused at the reporting date		
Secured bank loan facilities	<u>38,084</u>	<u>40,384</u>

The Fund has entered into a series of interest rate swap contracts with a notional amount of \$156.0 million (30 June 2023: \$181.0 million) whereby it pays a fixed rate of interest and receives a variable rate based on BBSY (3 month) on the notional amount. At 31 December 2023, after taking into account the remaining interest rate swaps, 59.6% (30 June 2023: 69.7%) of the Fund's borrowings are hedged. The Fund's average cost of drawn debt is approximately 4.36% (30 June 2023: 3.58%) (excluding costs relating to undrawn debt).

The drawn amount is secured against investment properties held by the Fund with a carrying value of \$696.2 million at balance date and is subject to compliance with specified covenants and other requirements.

There were no defaults or covenant breaches with respect to the loan during half-year.

**6. Issued capital**

*Movement in issued units*

	<b>31 December 2023 Units*</b>	<b>31 December 2023 \$'000</b>
Balance at the beginning of the half-year	<u>246,872,662</u>	<u>178,376</u>
<b>Balance at the end of the half-year</b>	<u><b>246,872,662</b></u>	<u><b>178,376</b></u>

\*Total stapled securities of the Fund at 31 December 2023 are 246,872,662 with each stapled security representing one unit in FSREC Fund I, FSREC Fund II and FSREC Fund III.

There has been no movement in issued units in the half-year.

The contributed equity of FSREC Fund II and FSREC Fund III are included in "Equity attributable to other members" in the condensed consolidated statement of changes in equity.

**FSREC Property Fund**  
**Notes to the interim financial statements**  
**31 December 2023**

**7. Cash flow hedge reserve**

	<b>31 December 2023 \$'000</b>	<b>30 June 2023 \$'000</b>
Cash flow hedge reserve	<u>1,805</u>	<u>5,614</u>

The cash flow hedge reserve represents the cumulative effective portion of gains or losses arising on changes in the fair value of the interest rate swap held by the Fund.

*Movements in reserves*

Movements in each class of reserve during the half-year are set out below:

	<b>Cash flow hedge reserve \$'000</b>
Balance at 1 July 2023	5,614
- Unrealised losses on cash flow hedge reserve	(1,980)
- Realised gains transferred to profit or loss as a reduction to finance expense	<u>(1,829)</u>
<b>Balance at 31 December 2023</b>	<b><u>1,805</u></b>

**8. Distributions**

Distributions declared during the half-year were as follows:

	<b>31 December 2023 \$'000</b>
1.85 cents per stapled security for the period ended 30 September 2023 paid on 7 November 2023	4,567
1.85 cents per stapled security for the period ended 31 December 2023 paid on 2 February 2024	<u>4,567</u>
<b>Total distributions</b>	<b><u>9,134</u></b>

**9. Fair value measurement**

*Fair value of the Fund's financial assets and liabilities that are measured at fair value on a recurring basis*

The Fund measures fair value using the following fair value hierarchy that reflects the significance of the input used in making the measurements:

- **Level 1:** quoted prices (unadjusted) in active markets for identical financial assets and liabilities that the entity can access at the measurement date
- **Level 2:** inputs other than quoted prices included within level 1 that are observable for the financial asset or liability, either directly (as price) or indirectly (derived from prices)
- **Level 3:** unobservable inputs for the financial asset or liability.



**FSREC Property Fund**  
**Notes to the interim financial statements**  
**31 December 2023**

**9. Fair value measurement (continued)**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 December 2023</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Assets</i>				
Investment properties	-	-	696,150	696,150
Derivative financial instruments	-	3,184	-	3,184
<b>Total assets</b>	<b>-</b>	<b>3,184</b>	<b>696,150</b>	<b>699,334</b>
<i>Liabilities</i>				
Derivative financial instruments	-	(1,197)	-	(1,197)
<b>Total liabilities</b>	<b>-</b>	<b>(1,197)</b>	<b>-</b>	<b>(1,197)</b>
<b>30 June 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Assets</i>				
Investment properties	-	-	698,000	698,000
Derivative financial instruments	-	6,068	-	6,068
<b>Total assets</b>	<b>-</b>	<b>6,068</b>	<b>698,000</b>	<b>704,068</b>

An interest rate swap contract has been entered into by the Fund to hedge the exposure to the variable interest rate payments on the variable secured bank loan (refer to Note 5 for details). The loan and interest rate swap have the same critical terms. Cash flows are recognised through profit or loss.

The aggregate fair value of the interest rate swap at the reporting date was a net asset of \$1,987,393 (30 June 2023: \$6,068,275 asset).

The valuation technique applied to fair value the swap derivative includes traditional swap models, using present value calculations.

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the transfer has occurred. There were no transfers between fair value hierarchy levels during the half-year.

*Fair value of the Fund's assets and liabilities that are not measured at fair value on a recurring basis*

The fair value of financial assets and financial liabilities which are not measured at fair value on a recurring basis approximate their carrying amounts at the reporting date.

**FSREC Property Fund**  
**Notes to the interim financial statements**  
**31 December 2023**

**10. Controlled entities**

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 December 2023 %	30 June 2023 %
Controlled entities of Fort Street Real Estate Capital Fund I			
Australian Property Opportunities Trust	Australia	100.00%	100.00%
Fort Street Real Estate Capital Fund IV	Australia	100.00%	100.00%
Fort Street Real Estate Capital Trust IV	Australia	100.00%	99.97%
FSREC IV No.1 Trust	Australia	100.00%	100.00%
Fort Street Real Estate Capital Fund II*	Australia	-	-
Australian Property Opportunities Trust II	Australia	-	-
APOT II No.1	Australia	-	-
Fort Street Real Estate Capital Fund III*	Australia	-	-
Australian Property Opportunities Trust III	Australia	-	-
APOT III No.1 Trust	Australia	-	-

\*Fort Street Real Estate Capital Fund II and Fort Street Real Estate Capital Fund III, along with their controlled entities as disclosed above, are considered controlled entities of Fort Street Real Estate Capital Fund I for financial reporting purposes due to the stapling arrangements described in Note 1, despite the absence of ownership interests.

**11. Related party disclosures**

Related party arrangements during the half-year are consistent with those at 30 June 2023. Refer to the Annual Report of FSREC Property Fund for the year ended 30 June 2023 for details of related party arrangements.

**12. Capital commitments**

As at 31 December 2023, the Fund had committed \$3,081,600 in lease incentives arising from lease agreements (31 December 2022: \$4,296,641). There were no other capital commitments in respect of improvements to the existing properties.

**13. Events occurring after the reporting period**

No significant events have occurred since the end of the half-year which would impact on the financial position of the Fund as disclosed in the condensed consolidated statement of financial position as at 31 December 2023 or on the results and cash flows of the Fund for the half-year ended on that date.

**14. Contingent assets and liabilities and commitments**

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2023 and 30 June 2023.

# FORT STREET REAL ESTATE CAPITAL FUND II AND FORT STREET REAL ESTATE CAPITAL FUND III INTERIM FINANCIAL STATEMENTS



**Fort Street Real Estate Capital Fund II and Fort Street Real Estate Capital Fund III**  
**Condensed consolidated statements of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2023**

		FSREC Fund II		FSREC Fund III	
	Note	31 December 2023 \$'000	31 December 2022 \$'000	31 December 2023 \$'000	31 December 2022 \$'000
<b>Investment income</b>					
Rental income		6,892	6,604	3,294	3,213
Other property income		1,184	1,108	620	885
Finance income		21	16	22	7
Fair value movement of investment properties	4	(1,694)	(570)	(597)	(14)
<b>Total investment income</b>		<b>6,403</b>	<b>7,158</b>	<b>3,339</b>	<b>4,091</b>
<b>Expenses</b>					
Investment property expenses		3,453	3,057	1,561	1,432
Finance expense		2,179	1,466	1,199	827
Responsible Entity and trustee fees	11	26	236	37	111
Management fees	11	772	770	377	375
Accounting and audit fees		69	71	34	38
Other expenses		40	139	25	98
<b>Total expenses</b>		<b>6,539</b>	<b>5,739</b>	<b>3,233</b>	<b>2,881</b>
<b>(Loss)/profit for the half-year</b>		<b>(136)</b>	<b>1,419</b>	<b>106</b>	<b>1,210</b>
Other comprehensive income for the half-year		-	-	-	-
<b>Total comprehensive (loss)/income for the half-year</b>		<b>(136)</b>	<b>1,419</b>	<b>106</b>	<b>1,210</b>
(Loss)/profit for the half-year attributable to:					
Non-controlling interest		-	-	-	-
Unitholders of FSREC Fund II and FSREC Fund III		(136)	1,419	106	1,210
		(136)	1,419	106	1,210
Total comprehensive (loss)/income for the half-year attributable to:					
Non-controlling interest		-	-	-	-
Unitholders of FSREC Fund II and FSREC Fund III		(136)	1,419	106	1,210
		(136)	1,419	106	1,210
		Cents	Cents	Cents	Cents
Basic (loss)/earnings per unit	3	(0.06)	0.57	0.04	0.49
Diluted (loss)/earnings per unit	3	(0.06)	0.57	0.04	0.49

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

**Fort Street Real Estate Capital Fund II and Fort Street Real Estate Capital Fund III**  
**Condensed consolidated statements of financial position**  
**As at 31 December 2023**

		FSREC Fund II		FSREC Fund III	
	Note	31 December 2023 \$'000	30 June 2023 \$'000	31 December 2023 \$'000	30 June 2023 \$'000
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents		1,822	2,781	2,811	1,251
Trade and other receivables		422	565	16	2,848
Prepayments		358	276	99	54
<b>Total current assets</b>		<b>2,602</b>	<b>3,622</b>	<b>2,926</b>	<b>4,153</b>
<b>Non-current assets</b>					
Investment properties	4	188,200	189,500	88,900	89,000
Receivable from other members of the stapled group		-	-	66,346	65,914
<b>Total non-current assets</b>		<b>188,200</b>	<b>189,500</b>	<b>155,246</b>	<b>154,914</b>
<b>Total assets</b>		<b>190,802</b>	<b>193,122</b>	<b>158,172</b>	<b>159,067</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	5	2,618	2,939	1,027	1,778
Distributions payable		926	825	455	447
Payable to other members of the stapled group		18,990	19,926	-	-
<b>Total current liabilities</b>		<b>22,534</b>	<b>23,690</b>	<b>1,482</b>	<b>2,225</b>
<b>Non-current liabilities</b>					
Borrowings	6	74,609	73,829	38,227	37,410
<b>Total non-current liabilities</b>		<b>74,609</b>	<b>73,829</b>	<b>38,227</b>	<b>37,410</b>
<b>Total liabilities</b>		<b>97,143</b>	<b>97,519</b>	<b>39,709</b>	<b>39,635</b>
<b>Net assets</b>		<b>93,659</b>	<b>95,603</b>	<b>118,463</b>	<b>119,432</b>
<b>Equity</b>					
Issued capital	7	85,807	85,807	131,825	131,825
Retained profits/(accumulated deficit)		7,852	9,796	(13,362)	(12,401)
Equity attributable to the unitholders of FSREC Fund II and FSREC Fund III		93,659	95,603	118,463	119,424
Non-controlling interest		-	-	-	8
<b>Total equity</b>		<b>93,659</b>	<b>95,603</b>	<b>118,463</b>	<b>119,432</b>

*The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes*

**Fort Street Real Estate Capital Fund II and Fort Street Real Estate Capital Fund III**  
**Condensed consolidated statements of changes in equity**  
**For the half-year ended 31 December 2023**

	Issued capital \$'000	Cash flow hedge reserve \$'000	Retained profits \$'000	Non- controlling interest \$'000	Total equity \$'000
<b>FSREC Fund II</b>					
Balance at 1 July 2023	85,807	-	9,796	-	95,603
Loss for the half-year	-	-	(136)	-	(136)
Other comprehensive income for the half-year	-	-	-	-	-
<b>Total comprehensive loss for the half-year</b>	<b>-</b>	<b>-</b>	<b>(136)</b>	<b>-</b>	<b>(136)</b>
<i>Transactions with unitholders in their capacity as unitholders:</i>					
Distributions declared	-	-	(1,808)	-	(1,808)
<b>Balance at 31 December 2023</b>	<b>85,807</b>	<b>-</b>	<b>7,852</b>	<b>-</b>	<b>93,659</b>

	Issued capital \$'000	Cash flow hedge reserve \$'000	Retained profits \$'000	Non- controlling interest \$'000	Total equity \$'000
<b>FSREC Fund II</b>					
Balance at 1 July 2022	85,266	-	14,702	-	99,968
Profit for the half-year	-	-	1,419	-	1,419
Other comprehensive income for the half-year	-	-	-	-	-
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>-</b>	<b>1,419</b>	<b>-</b>	<b>1,419</b>
<i>Transactions with unitholders in their capacity as unitholders:</i>					
Issue of units	19,485	-	-	-	19,485
Redemption of units	(18,911)	-	-	-	(18,911)
Redemption costs	(33)	-	-	-	(33)
Distributions declared	-	-	(2,145)	-	(2,145)
<b>Balance at 31 December 2022</b>	<b>85,807</b>	<b>-</b>	<b>13,976</b>	<b>-</b>	<b>99,783</b>

*The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes*

**Fort Street Real Estate Capital Fund II and Fort Street Real Estate Capital Fund III**  
**Condensed consolidated statements of changes in equity**  
**For the half-year ended 31 December 2023**

	Issued capital \$'000	Cash flow hedge reserve \$'000	Accumulated deficit \$'000	Non- controlling interest \$'000	Total equity \$'000
<b>FSREC Fund III</b>					
Balance as at 1 July 2023	131,825	-	(12,401)	8	119,432
Profit for the half-year	-	-	106	-	106
Other comprehensive income for the half-year	-	-	-	-	-
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>-</b>	<b>106</b>	<b>-</b>	<b>106</b>
Acquisition of other non-controlling interest	-	-	-	(8)	(8)
<i>Transactions with unitholders in their capacity as unitholders:</i>					
Distributions declared	-	-	(1,067)	-	(1,067)
<b>Balance at 31 December 2023</b>	<b>131,825</b>	<b>-</b>	<b>(13,362)</b>	<b>-</b>	<b>118,463</b>

	Issued capital \$'000	Cash flow hedge reserve \$'000	Accumulated deficit \$'000	Non- controlling interest \$'000	Total equity \$'000
<b>FSREC Fund III</b>					
Balance at 1 July 2022	131,154	-	(12,041)	8	119,121
Profit for the half-year	-	-	1,210	-	1,210
Other comprehensive income for the half-year	-	-	-	-	-
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>-</b>	<b>1,210</b>	<b>-</b>	<b>1,210</b>
<i>Transactions with unitholders in their capacity as unitholders:</i>					
Issue of units	23,219	-	-	-	23,219
Redemption of units	(22,508)	-	-	-	(22,508)
Redemption costs	(40)	-	-	-	(40)
Distributions declared	-	-	(1,225)	-	(1,225)
<b>Balance at 31 December 2022</b>	<b>131,825</b>	<b>-</b>	<b>(12,056)</b>	<b>8</b>	<b>119,777</b>

*The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes*

**Fort Street Real Estate Capital Fund II and Fort Street Real Estate Capital Fund III**  
**Condensed consolidated statements of cash flows**  
**For the half-year ended 31 December 2023**

	FSREC Fund II		FSREC Fund III	
	31 December 2023 \$'000	31 December 2022 \$'000	31 December 2023 \$'000	31 December 2022 \$'000
<b>Cash flows from operating activities</b>				
Rental and other income received	8,775	8,638	4,911	4,480
Interest income received	21	16	22	7
Finance costs	(1,998)	(1,118)	(1,027)	(574)
Payments to suppliers	(5,353)	(5,007)	(2,826)	(3,444)
<b>Net cash from operating activities</b>	<b>1,445</b>	<b>2,529</b>	<b>1,080</b>	<b>469</b>
<b>Cash flows from investing activities</b>				
Receipt of insurance proceeds for restoration works	-	-	2,164	13,264
Payments for capital expenditure	(461)	(228)	(885)	(13,383)
<b>Net cash (used in)/from investing activities</b>	<b>(461)</b>	<b>(228)</b>	<b>1,279</b>	<b>(119)</b>
<b>Cash flows from financing activities</b>				
Issue of stapled units, net of costs	-	19,485	-	23,219
Payment of redemption units and redemption costs	-	(18,944)	-	(22,548)
Acquisition of other non-controlling interest	-	-	(8)	-
Gross proceeds from borrowings	700	-	700	-
Net (payments to)/receipts from other members of the stapled group	(936)	(952)	(432)	989
Distributions paid	(1,707)	(2,612)	(1,059)	(1,533)
<b>Net cash (used in)/from financing activities</b>	<b>(1,943)</b>	<b>(3,023)</b>	<b>(799)</b>	<b>127</b>
Net (decrease)/increase in cash and cash equivalents	(959)	(722)	1,560	477
Cash and cash equivalents at the beginning of the half-year	2,781	3,455	1,251	1,783
<b>Cash and cash equivalents at the end of the half-year</b>	<b>1,822</b>	<b>2,733</b>	<b>2,811</b>	<b>2,260</b>

*The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes*



**Fort Street Real Estate Capital Fund II and Fort Street Real Estate Capital Fund III**  
**Notes to the condensed consolidated financial statements**  
**31 December 2023**

**1. General information**

Fort Street Real Estate Capital Fund II and Fort Street Real Estate Capital Fund III are unlisted managed investment schemes registered and domiciled in Australia.

The financial statements comprise:

- Fort Street Real Estate Capital Fund II and its subsidiaries (**FSREC Fund II**), and
- Fort Street Real Estate Capital Fund III and its subsidiaries (**FSREC Fund III**).

FSREC Fund II and FSREC Fund III are stapled together with Fort Street Real Estate Capital Fund I to form FSREC Property Fund (**the Fund**). The principal activity of FSREC Fund II and FSREC Fund III is to invest in Australian commercial properties.

**2. Working capital**

As at 31 December 2023, FSREC Fund II's consolidated statement of financial position discloses a deficiency of net current assets of \$19,932,174. The deficiency is primarily attributable to amounts payable to FSREC Fund III of \$19,689,739 disclosed as current liabilities. The directors of the Responsible Entity of FSREC Fund III have confirmed in writing that they will not call for the repayment of the amounts payable by FSREC Fund II if such action would cause FSREC Fund II to be unable to pay its debts as and when they fall due and payable.

The directors are satisfied that FSREC Fund II will be able to meet its working capital requirements through the normal cyclical nature of receipts and payments and budgeted cash flows generated from operations. In addition, the Fund which includes FSREC Fund II has long term finance facilities available for drawdown totalling \$38,084,000 as at 31 December 2023.

Accordingly, the directors consider it appropriate to prepare the half-year financial statement of FSREC Fund II on the going concern basis.

**3. Earnings per unit**

	<b>FSREC Fund II</b>		<b>FSREC Fund III</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
(Loss)/profit for the half-year	(136)	1,419	106	1,210
Non-controlling interest	-	-	-	-
<b>(Loss)/profit attributable to the unitholders</b>	<b>(136)</b>	<b>1,419</b>	<b>106</b>	<b>1,210</b>
	<b>FSREC Fund II</b>		<b>FSREC Fund III</b>	
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Weighted average number of units used in calculating basic earnings per unit*	246,872,662	246,876,848	246,872,662	246,876,848
Weighted average number of units used in calculating diluted earnings per unit*	246,872,662	246,876,848	246,872,662	246,876,848
	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Basic (loss)/earnings per unit	(0.06)	0.57	0.04	0.49
Diluted (loss)/earnings per unit	(0.06)	0.57	0.04	0.49

\*The weighted average number of stapled securities used by the Fund in calculating its basic and diluted earnings per stapled securities is 246,872,662 (31 December 2022: 246,876,848). Each stapled security of the Fund represents one unit in FSREC Fund I, one unit in FSREC Fund II and one unit in FSREC Fund III.

**Fort Street Real Estate Capital Fund II and Fort Street Real Estate Capital Fund III**  
**Notes to the condensed consolidated financial statements**  
**31 December 2023**

**4. Investment properties**

	FSREC Fund II		FSREC Fund III	
	31 December	30 June	31 December	30 June
	2023	2023	2023	2023
	\$'000	\$'000	\$'000	\$'000
Disclosed in condensed consolidated statement of financial position as:				
<i>Non-current assets</i>				
Investment properties - at fair value	188,200	189,500	88,900	89,000
<i>Movement in investment properties - at fair value</i>				
Carrying amount of investment properties at beginning of the half-year	189,500	194,000	89,000	88,500
Capital expenditure	222	643	340	432
Rental straight-lining, tenant incentives and other adjustments	172	(324)	157	427
Fair value movement of investment properties	(1,694)	(4,819)	(597)	(359)
<b>Carrying amount of investment properties at end of the half-year</b>	<b>188,200</b>	<b>189,500</b>	<b>88,900</b>	<b>89,000</b>

*Fair value*

At reporting date, FSREC Fund II has five commercial properties and FSREC Fund III has one commercial property in Australia which are carried at fair value.

The 31 December 2023 fair value amounts were determined by way of independent valuation on all investment properties using a combination of DCF and capitalisation rate methods based on market conditions existing at balance date.

The valuation techniques utilise inputs categorised as level 3 in the fair value hierarchy, being based on unobservable market inputs. The key unobservable inputs include the maintainable earnings and capitalisation rate (range 5.50% - 6.00% for FSREC Fund II and 6.75% for FSREC Fund III) applied in the capitalisation rate method, and the estimated rental values, rental growth rates, long term vacancy rates, lease incentives and discount rates (range 6.25% - 7.00% for FSREC Fund II and 7.50% for FSREC Fund III) applied in the DCF method. A reduction in capitalisation and discount rates and an increase in maintainable earnings and rental growth rates would result in an increase in fair value, and vice versa.

**5. Trade and other payables**

	FSREC Fund II		FSREC Fund III	
	31 December	30 June	31 December	30 June
	2023	2023	2023	2023
	\$'000	\$'000	\$'000	\$'000
Trade payables	11	105	83	63
Accrued liabilities	1,806	1,871	701	1,397
Contract liabilities (deferred income)	581	723	206	318
GST payable	220	240	37	-
<b>Total trade and other payables</b>	<b>2,618</b>	<b>2,939</b>	<b>1,027</b>	<b>1,778</b>

**Fort Street Real Estate Capital Fund II and Fort Street Real Estate Capital Fund III**  
**Notes to the condensed consolidated financial statements**  
**31 December 2023**

**6. Borrowings**

	<b>FSREC Fund II</b>		<b>FSREC Fund III</b>	
	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>
	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Secured bank loan - net of borrowing costs	<u>74,609</u>	<u>73,829</u>	<u>38,227</u>	<u>37,410</u>

*Financing arrangements*

As at 31 December 2023, the Fund had a \$300 million loan facility (30 June 2023: \$300 million) with National Australia Bank Limited at a variable interest rate with reference to the Bank Bill Swap Rate (**BBSY**) repayable on 19 April 2025.

As at 31 December 2023, FSREC Fund II & FSREC Fund III had access to an undrawn committed borrowing facility of the Fund amounting to \$38.1 million (30 June 2023: \$40.4 million).

The average cost of drawn debt is approximately 5.85% for FSREC Fund II and 5.53% for FSREC Fund III (excluding costs relating to undrawn debt) (30 June 2023: 4.53% for FSREC Fund II and 4.20% for FSREC Fund III).

The drawn amount is secured against investment properties held by FSREC Fund II and FSREC Fund III with a carrying value at reporting date of \$188.2 million and \$88.9 million, respectively, and is subject to compliance with specified covenants and other requirements.

There were no defaults or covenant breaches with respect to the loan during half-year.

**7. Issued capital**

	<b>FSREC Fund II</b>		<b>FSREC Fund III</b>	
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>
	<b>Units*</b>	<b>\$'000</b>	<b>Units*</b>	<b>\$'000</b>
Balance at the beginning of the half-year	246,872,662	85,807	246,872,662	131,825
<b>Balance at the end of the half-year</b>	<u><b>246,872,662</b></u>	<u><b>85,807</b></u>	<u><b>246,872,662</b></u>	<u><b>131,825</b></u>

\*Total stapled securities of FSREC Property Fund at 31 December 2023 are 246,872,662 with each stapled security representing one unit in FSREC Fund I, FSREC Fund II and FSREC Fund III.

There has been no movement in issued units in the half-year.

**8. Distributions**

Distributions declared during the half-year were as follows:

	<b>31 December</b>
	<b>2023</b>
	<b>\$'000</b>
<b>FSREC Fund II</b>	
0.36 cents per unit for the period ended 30 September 2023 paid on 7 November 2023	887
0.37 cents per unit for the period ended 31 December 2023 paid on 2 February 2024	<u>921</u>
<b>Total distributions</b>	<u><b>1,808</b></u>

**Fort Street Real Estate Capital Fund II and Fort Street Real Estate Capital Fund III**  
**Notes to the condensed consolidated financial statements**  
**31 December 2023**

**8. Distributions (continued)**

	<b>31 December 2023 \$'000</b>
<b>FSREC Fund III</b>	
0.25 cents per unit for the period ended 30 September 2023 paid on 7 November 2023	612
0.18 cents per unit for the period ended 31 December 2023 paid on 2 February 2024	455
<b>Total distributions</b>	<b><u>1,067</u></b>

**9. Fair value measurement**

*Fair value of FSREC Fund II's and FSREC Fund III's financial assets and liabilities that are measured at fair value on a recurring basis*

FSREC Fund II and FSREC Fund III measure fair value using the following fair value hierarchy that reflects the significance of the input used in making the measurements:

- **Level 1:** quoted prices (unadjusted) in active markets for identical financial assets and liabilities that the entity can access at the measurement date
- **Level 2:** inputs other than quoted prices included within level 1 that are observable for the financial asset or liability, either directly (as price) or indirectly (derived from prices)
- **Level 3:** unobservable inputs for the financial asset or liability.

	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>FSREC Fund II - 31 December 2023</b>				
<i>Assets</i>				
Investment properties	-	-	188,200	188,200
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>188,200</b>	<b>188,200</b>

	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>FSREC Fund II - 30 June 2023</b>				
<i>Assets</i>				
Investment properties	-	-	189,500	189,500
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>189,500</b>	<b>189,500</b>

	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>FSREC Fund III - 31 December 2023</b>				
<i>Assets</i>				
Investment property	-	-	88,900	88,900
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>88,900</b>	<b>88,900</b>

	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>FSREC Fund III - 30 June 2023</b>				
<i>Assets</i>				
Investment property	-	-	89,000	89,000
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>89,000</b>	<b>89,000</b>

FSREC Fund II and FSREC Fund III recognise transfers between levels of the fair value hierarchy as at the end of the reporting period during which the transfer has occurred. There were no transfers between fair value hierarchy levels during the half-year.

**Fort Street Real Estate Capital Fund II and Fort Street Real Estate Capital Fund III**  
**Notes to the condensed consolidated financial statements**  
**31 December 2023**

**9. Fair value measurement (continued)**

*Fair value of the FSREC Fund II's and FSREC Fund III's financial assets and liabilities that are not measured at fair value on a recurring basis*

The fair value of financial assets and financial liabilities which are not measured at fair value on a recurring basis approximate their carrying amounts at the reporting date.

**10. Controlled entities**

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 December	30 June
		2023 %	2023 %
<b>Controlled entities of FSREC Fund II</b>			
Australian Property Opportunities Trust II	Australia	100.00%	100.00%
APOT II No. 1	Australia	100.00%	100.00%
<b>Controlled entities of FSREC Fund III</b>			
Australian Property Opportunities Trust III	Australia	100.00%	99.98%
APOT III No. 1 Trust	Australia	100.00%	100.00%

**11. Related party disclosures**

Related party arrangements during the half-year are consistent with those at 30 June 2023. Refer to the Annual Report of FSREC Property Fund for the year ended 30 June 2023 for details of related party arrangements.

**12. Capital commitments**

As at 31 December 2023, FSREC Fund II had committed \$1,618,000 and FSREC Fund III \$380,000 in lease incentives arising from lease agreements (31 December 2022: \$1,660,000 for FSREC Fund II and \$890,053 for FSREC Fund III). There were no other capital commitments in respect of improvements to the existing properties.

**13. Contingent assets and liabilities and commitments**

There were no outstanding contingent assets, liabilities or commitments as at 31 December 2023 and 30 June 2023.

**14. Events after the reporting period**

No significant events have occurred since the end of the half-year which would impact on the financial position of the Fund as disclosed in the condensed statement of financial position as at 31 December 2023 or on the results and cash flows of the Fund for the half-year ended on that date.

# SIGNED REPORTS




**FSREC Property Fund**  
**Directors' declaration**  
**31 December 2023**

In the opinion of the directors of the Responsible Entity:

- a. The interim financial statements and notes set out on pages 6 to 28 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2023 and of its performance for the half-year ended on that date.
- b. 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 directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.

  
Philip D Gentry  
Chairman

Melbourne  
12 March 2024

# Independent Auditor's Review Report to the to the Stapled Security Holders of Fort Street Real Estate Capital Fund I, Fort Street Real Estate Capital Fund II and Fort Street Real Estate Capital Fund III

## *Conclusion*

We have reviewed the half-year financial report of Fort Street Real Estate Capital Fund I ('FSREC Fund I') and its subsidiaries ('FSREC Property Fund' or the 'Group'), Fort Street Real Estate Capital Fund II and its subsidiaries ('FSREC Fund II') and Fort Street Real Estate Capital Fund III and its subsidiaries ('FSREC Fund III'), which comprises the condensed consolidated statement of financial position as at 31 December 2023, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes to the financial statements, including material accounting policy information and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial reports of FSREC Property Fund, FSREC Fund II and FSREC Fund III does not comply with the *Corporations Act 2001*, including:

- Giving a true and fair view of FSREC Property Fund, FSREC Fund II and FSREC Fund III's financial positions as at 31 December 2023 and of their financial performances for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## *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 Half-year Financial Report* section of our report. We are independent of the FSREC Property Fund, FSREC Fund II and FSREC Fund III 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 the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of Equity Trustees Limited, the Responsible Entity of FSREC Fund I, FSREC Fund II and FSREC Fund III (the 'Directors'), would be in the same terms if given to the directors as at the time of this auditor's review report.

## *Directors' Responsibilities for the Half-year Financial Report*

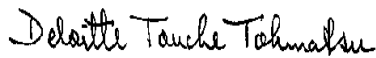
The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year 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 Half-year Financial Report*

Our responsibility is to express a conclusion on the half-year 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 half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of FSREC Property Fund, FSREC Fund II and FSREC Fund III's financial positions as at 31 December 2023 and their performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year 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.



DELOITTE TOUCHE TOHMATSU



Weng W Ching  
Partner  
Chartered Accountants

Sydney, 12 March 2024

## RESPONSIBLE ENTITY

Equity Trustees Limited  
(ABN 46 004 031 298) (AFSL 240975)

