VENTURE CAPITAL OPPORTUNITIES FUND

INVESTING IN SQUARE PEG II

Annual Report

For the year ended 30 June 2022

(ARSN 625 636 473)

RESPONSIBLE ENTITY:

E&P INVESTMENTS LIMITED

(ACN 152 367 649) (AFSL 410 433)

Directory

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Chair's letter

Dear Unitholders,

It is a pleasure to provide you with the Venture Capital Opportunities Fund (**Fund**) Annual Report for the twelve-month period to 30 June 2022 (**FY22**).

FINANCIAL PERFORMANCE

We are again pleased with the performance achieved by the Fund. For FY22, the Fund returned 25.2% on invested capital and delivered a net profit of $6.7 million or 65.53 cents per unit. The result was attributable to strong revaluation gains from underlying investments and a strong FX tailwind for the Fund's US dollar denominated investments, and was achieved despite the Manager implementing a measured reduction in overall asset values across the portfolio at 30 June 2022 which offset all positive revaluation events in the second half of FY22. The Australian dollar declined 7.9% against the US dollar during FY22, increasing the Australian dollar value of US dollar denominated investments. The key component of this result was a $6.8 million fair value gain on the Fund's investment in Square Peg Fund II (**SPFII**), including a $2.2 million foreign exchange translation gain. At 30 June 2022, the Fund had net assets of $33.4 million representing $3.28 per unit, which implies a total gain per unit, including distributions, of 83.0% or 1.83x on a paid-in basis, since inception.

FUND STRUCTURE

Units in the Fund were issued on a partly paid, or instalment basis. In June 2022, the Fund called the final $0.30 per unit instalment, bringing the number of paid investor instalments to six instalments totalling $1.80 per unit (or 100%) of the issue price.

The Fund made total capital commitments of US$11.2 million to SPFII, representing an interest of 4.8% in SPFII. As at the end of June 2022, SPFII has invested (net drawn capital) 93.3% of the Fund's committed capital in sixteen early-stage technology businesses (including a successful exit from Puresec in FY19).

INVESTMENT ACTIVITY

As noted in prior reports to Unitholders, the portfolio was fully invested prior to the beginning of FY22. As such there have been no new investments made in the portfolio this year. Capital called from the Fund has been used for portfolio management and follow-on investment purposes. The investment management team at Square Peg Capital Pty Ltd (**Manager**) is focused on key business models and investment thematics and has invested, and will continue to invest, where the Manager sees potential for future value creation.

Over the course of FY22 SPFII made follow-on investments into eleven of the remaining fifteen companies in the portfolio, including participation in the Series B funding round for small to mid-sized company payments and financial services platform Zeller. Pleasingly, the funding round saw the valuation for this company increase to more than A$1 billion. Other activity of note included the Series B funding round participation for **Deci**, the Artificial Intelligence (**AI**) engine that optimises AI models, and the Series D funding round of US$110 million from AI radiology image processing company, **Aidoc**.

PORTFOLIO AND MARKET UPDATE

All the underlying businesses in the SPFII portfolio are employing technology to meet the requirements of new markets with more efficient and less costly operating models – they provide innovative solutions that have a global market. The acceleration of technology adoption by businesses and by individuals has been remarkable over the past few years. This adoption, in combination with some innovative ideas and funding support has resulted in strong unrealised gains across the portfolio. We do caution though that at this stage of the economic cycle, risks are elevated and recent gains may not be as easily replicated moving forward and past performance does not guarantee future gains.

Global investment markets, including private equity and venture capital were strong in the first half of FY22, with listed equity indices repeatedly hitting new highs. From an economic perspective, COVID-19 appears to pose less of a threat than it has over the prior two years, however the change of tack by central banks to tightening monetary policy; escalating geopolitical risks concerning Russia and China; supply chain bottlenecks; and the emergence of multi-decade high inflation, has resulted in a rapid downward revaluation across public equity markets in the second half of FY22. Despite a number of positive revaluation events occurring through FY22, the Manager has taken a cautious approach given the increased economic uncertainty, and this has been reflected in the values of SPFII at 30 June 2022.

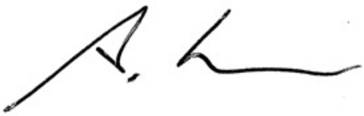
OUTLOOK

Since inception, SPFII has made investments in technology, software and a number of AI businesses that improve outcomes for companies involved in employee management, radiology, personal finance, energy retailing, cybersecurity, quantum computing, digital healthcare, clinical trial technology, micro-mobility and business banking in the serverless computing environment. The Fund's key contributors are performing well and are well capitalised, leaving them in a position of strength to withstand the current macroeconomic environment. It is expected that the Fund’s remaining uninvested capital will be invested conservatively across the current portfolio, whilst aiming to maximise value for investors.

The Manager’s view is that, while a number of the underlying investments are well funded and have strong potential, the recent uncertainty and slow-down in the public and private capital markets will likely result in an extension of holding periods across the portfolio and there is the possibility of further negative mark-downs in value. In our view, this is reasonably consistent with the broader private capital market outlook and while we are cognisant of the down-side risks of investing in early-stage technology, the portfolio is exposed to many unique high-growth opportunities.

We thank you for your support and look forward to updating you on the progress of the Fund through the 2023 financial year.

Yours faithfully,



Stuart Nisbett
Independent Chair of the Responsible Entity
14 September 2022

Report to unitholders

MARKET REVIEW

Globally, public financial markets were highly volatile in FY22, falling 16.3% in the final 6 months to 30 June 2022 but ending the year down 7.1% (in AUD terms). The revaluation has been particularly evident in tech-related and high-growth sectors, with the global set of technology leaders down 25.9% over the past six months and 12.3% for the full year. Taking a longer-term perspective, over the past ten years (again, to 30 June 2022 in AUD terms) global stocks are up 14.5% per annum, while tech stocks have returned 21.8% per annum. Driving this growth has been strong investment in technology; a meaningful change in consumer behaviour; and the emergence of highly disruptive tech-driven companies. Over a similar period, the Manager has generated significant value for investors from technology-related start-ups including since inception of the Fund, in July 2018. The positive returns achieved over FY22 (+25.2%) and since inception (+83.0% - on a total value to unit value-called basis, including distributions) are due to strong markets combined with a dedicated and focused team that has made successful investment decisions.

Markets, including private capital, are now entering a more uncertain phase, particularly for early-stage technology companies, compounded by the potential for a major economic slowdown. The duration and severity of this downturn is not known, but the Manager's view is that, overall, the portfolio is well positioned to weather this period of uncertainty. In addition to ensuring that the majority of underlying investments have strong balance sheets and, despite several strong revaluation events in the past half year, the Manager has also taken a prudent and conservative view on overall valuations. This approach is reflected in the current valuation and has resulted in a small decline in Fund value of 2.7% for the six months to 30 June.

OUTLOOK AND OPPORTUNITY

Across private capital markets, valuations in FY21 and FY22 were supported by buoyant market conditions. In the current less certain economic environment, returns on those investments may be negatively impacted from the highs seen early in FY22. The uncertain prevailing conditions have led to a wide gap between Manager's bull case and bear case outcomes over the next couple of years for many investments. Managing this variation in potential outlooks from an investment perspective requires careful planning and agility as possible outcomes become clearer. The Manager is in the position where it has to both decide on possible future investment to support and grow the company and, in many cases, provide guidance to the company via its presence on the investee company board.

So, what is the current thinking on the period ahead? Over time, outcomes bifurcate for early-stage technology companies. Successful companies experience compounding growth year after year and become remarkable businesses. Today, there are several businesses in the SPFII portfolio that are fast approaching this level, generating substantial revenues and continuing to penetrate their respective markets. In most cases, initial investment occurred at a pre-revenue stage, or when the companies earned very little revenue. Whilst some of the best performing portfolio companies may be impacted in the short term by a slowdown in the broader economy, the coming period can also be an incredible period to create value.

One of the probable outcomes of a slower economy and tighter capital market is that talent markets will become more favourable for successful employers. Companies in a position of relative strength will more easily be able to attract and retain talent, while competitors will either disappear or become more rational. Founders will have the employee resources to focus on long-term value creation.

One of the critical points for business valuation is the distinction between fundamental creation of value and how markets value businesses. Every start-up begins with a vision of building a remarkable business and for each company in SPFII, the Manager believed each one had a realistic path to success. In most cases things don't go exactly to plan. In some cases, the outcome is a good but not great company, while in other cases the outcome is a failure of the business and a write-off of the investment. These situations are painful for the founders and their teams and for the Manager's investment team and Fund investors. One of the features of the last couple of years of buoyant markets is that businesses that haven't been meeting expectations have still been able to raise external capital and continue to fund themselves. It is expected that the next two years will see a higher failure rate across the industry and, in some cases, the Manager will need to employ their significant experience and decide which businesses it will continue to support.

Lastly, another outcome of current financial markets, a view broadly-shared across the private capital market, is that investors should expect to see a slower period of exit activity. IPO markets appear closed and while trade buyers will likely step back in, valuations may compress and hold periods will extend, delaying potential future distributions from SPFII and consequently the Fund.

PORTFOLIO POSITIONING

SPFII has, to date, invested in sixteen early-stage technology businesses, having sold Puresec to Palo Alto Networks in FY19. There were no new inclusions to the portfolio in FY22.

The Manager has successfully constructed a portfolio of companies that employ technology to meet the requirements of new markets with more efficient and less costly operating models – demonstrating the strategy of identifying companies seeking innovative solutions in global markets. The businesses are developing products, partnerships, and industry relationships that offer significant opportunities and contribute to building long-term defensibility of their market position.

A summary of the current investments in SPFII is outlined below.

AIDOC

Aidoc has developed products that support and enhance the diagnostic power of radiologists, helping them expedite patient treatment and improve quality of care. Employing deep learning AI technology that identifies physical anomalies and flags the most urgent cases, Aidoc's products assist radiologists to better prioritise life threatening cases and accelerate patient care. Since it was founded in 2016, Aidoc's solutions have now been deployed at more than 1,000 hospitals and medical centres, and is diversifying its portfolio, developing further AI platforms for use in the healthcare system. Following US Food and Drug Administration (**FDA**) approval of their first product in late 2018, Aidoc now has ten approved products and is the leading full-body imaging AI software.

ZELLER

Zeller is an Australian Fintech company which aims to provide small businesses with a complete and streamlined payment solution rather than needing to maintain a variety of relationships with a number of entities. Zeller successfully launched their core merchant terminal ("Acquiring"), deposit account and debit card ("Issuing") offerings in May 2021, signing up over 1,500 customers in the first month and 10,000 customers in the first eight months. Over time they plan to increase the financial products they offer to small business.

Zeller's aim is to provide solutions to re-align business banking by simplifying the process of accepting payments and managing finances. Zeller completed their Series B funding round in March 2022 lifting the company valuation above A$1 billion. Zeller's product roadmap includes new omni-channel commerce capabilities, like the ability to accept online payments through integrations with website and e-commerce platforms.

DEPUTY

Deputy has developed a Software as a Service (**SaaS**) product that assists organisations of any size, across multiple sectors, to effectively manage their rostered workforce. It enables staff to be simply, and even automatically, scheduled, based on stated preferences and availability. It acts as a system of engagement for rostered staff and employers to communicate and share information with each other. Deputy also links to other systems such as payroll and timesheets to automate manual processes. COVID-19 continues to impact Deputy's business, however the company has used the past two years to diversify its user base, has experiencing a solid rebound and continues to grow revenue globally.

FINACCEL

FinAccel uses technology to extend credit to prime consumers in one of the most underpenetrated markets for credit, Indonesia. Its core product, Kredivo, is a digital credit card and point-of-sale transaction engine that enables consumers to quickly and easily "buy now and pay later" on Indonesia's leading e-commerce sites.

FinAccel has delivered strong growth since the initial investment and is increasing its presence in three other markets. It has expanded distribution and has partnered with several existing financial institutions to launch new products. In July 2021 the company announced a merger with a Nasdaq listed Special Purpose Acquisition Company (**SPAC**) that was anticipated to close by March 2022. Ultimately the decision was made to withdraw from the merger due to market volatility and unfavourable market sentiment towards SPACs, however the company remains on track with their growth plans.

AMBER

Amber is building an energy retailer with a differentiated business model and value proposition that aligns with customer interests, reducing electricity costs and increasing the use of clean renewable energy. Amber charges customers a flat fee of $15 per month for access to wholesale electricity. Amber is also developing a software platform to help its customers take greater advantage of cheaper, cleaner energy when it is available by automatically optimising their energy use. Amber has continued to see growth in its business despite a significantly disruptive period of high and volatile wholesale energy prices.

Q-CTRL

Q-CTRL is an Australian company that provides software tools to improve the stability of quantum hardware. Australia is a centre of excellence for quantum computing and Michael Biercuk, the founder and CEO of Q-CTRL, is a global authority on the topic of quantum control.

Q-CTRL's mission is to be the trusted provider of quantum control solutions across all applications. Spanning quantum computing, quantum sensing, quantum metrology, and quantum-enabled medical imaging. The emerging market for quantum tech is forecast to be a multi-billion-dollar market and following a Series B funding round in late 2021, expansion of the team and a significant, “logic gate”, advance in product development Q-CTRL are well positioned progress their journey.

DOCTOR ANYWHERE

Doctor Anywhere is a regional tech-led healthcare company headquartered in Singapore. The company's mission is to improve healthcare outcomes across Southeast Asia. With a strong network of established healthcare providers and experienced doctors, Doctor Anywhere's digital platform enables users to manage their health easily and effectively through the Doctor Anywhere mobile app. Users can consult a licensed local doctor anytime, anywhere, and get medication delivered to their doorsteps within hours. Medical history, health reports, and other documents are stored in-app for easy access. Doctor Anywhere has strong penetration in its domestic market, Singapore, and is gaining traction in Thailand and Vietnam.

HEALTHMATCH

HealthMatch's mission is to dramatically accelerate patient recruitment to clinical trials, allowing for faster and more efficient access to life-saving medication. By employing innovative technology, HealthMatch is able to match patients to clinical trials in a matter of minutes. By presenting simplified questions, one at a time, in a language that patients can understand, HealthMatch has experienced strong growth rates and the constraints and urgency experienced by pharmaceutical companies during the COVID-19 pandemic has provided a positive tailwind for the company. It has recently and successfully launched in the US.

NEURON

Neuron's vision is to develop new forms and formats of mobility to better connect urban centres while reducing the carbon footprint of existing modes of transport. Founded in 2016, Neuron Mobility is Southeast Asia's leading shared electric scooter service. It provides a sustainable short-distance mobility solution to connect neighbourhoods across the region. Neuron completed a Series B funding round in 2021 and the company continues to expand across Canada and Australia, with a focus on permit-based markets.

Neuron has some of the industry's earliest patents on smart scooter and intelligent charging solutions in the personal mobility industry. The company maintains a proprietary supply chain for its patented commercial-grade scooter, and uses real-time analytics to power its operational deployment.

STASHAWAY

StashAway is a digital wealth management platform based in Southeast Asia that personalises financial planning and portfolio management for investors. It makes investment strategies accessible to the mass affluent, leveraging technology and data, and providing consumers with access to a mobile investment platform that provides educational and wealth outcomes. Following strong early growth, the recent market turbulence in FY22 has resulted in funds under management remaining stable for the period. The company continues to build out their wealth platform.

STERNUM

Sternum was founded in 2018 by a team of highly experienced research, development, and business leaders determined to significantly improve the security around the Internet of Things (**IoT**). The IoT market is growing at an astounding rate and so are attacks on IoT devices. Sternum is well positioned to be a global leader in IoT security with a focus on detecting vulnerabilities and real-time threat detection. The business has partnered with an Australian medical device company as well as several large global device manufacturers and continues to grow their team.

DECI

Deci, founded in 2019, is based in Tel Aviv. Its team of deep learning experts are focussed on significantly reducing production-related bottlenecks across the AI lifecycle. Deci's platform uses AI to build and operate AI models, enabling data scientists to transform their AI models into production-grade solutions on any hardware, crafting the next generation of AI for enterprises across the board.

Highlighting the addressable market and the potential for Deci, the company completed a Series A funding round in October 2021 and Series B funding round in July 2022 (post FY22 close). Both rounds were led by global software investor Insight Partners.

VOW

Vow is an Australian cultivated meat start-up. Vow's strategy is underpinned by a diverse library of stem cells collected from a wide range of animals and aims to build the technology to combine these different cells into brand new foods. Their ultimate goal is to create products which have superior taste and nutritional value. The business has progressed well and there is a possibility that one of their products could be on consumers' plates soon.

ONLOOP

OnLoop is an app for teams that combines reflection, feedback and learning to help everyone grow and extend their skill sets (and overcome blindspots). They're on a mission to build a less biased and more productive world through the deliberate day-to-day development of people. Onloop is a very early-stage investment and continues to build out their product, although the current environment is posing challenges.

NEARA

Neara, previously called Power Lines Pro, is a cloud-based enterprise platform that improves planning and maintenance of large-scale infrastructure. Neara is making complex analysis and design accessible at every level of the infrastructure industry and has recently expanded to include underground assets and vegetation management. In May 2022 Neara completed their Series B funding round, raising $20 million to expand its global footprint and broaden platform functionality.

Their platform delivers a true digital twin, performing complex engineering-grade analysis automatically and at a whole-of-network scale. The company currently works with a number of Australia's largest utilities and has modelled over 600 thousand kilometres of network.

INVESTOR REGISTRY

The Fund has provided regular investment updates to unitholders via email. Please contact the registry if you would like to receive these updates directly to your email inbox in future:

Registry: Boardroom Pty Limited
Phone: 1300 737 760
Website: https://www.boardroomlimited.com.au

Directors' report

The directors of E&P Investments Limited, the Responsible Entity of Venture Capital Opportunities Fund (**Fund**), present their report together with the annual financial statements of the Fund for the financial year ended 30 June 2022.

DIRECTORS

The directors of the Responsible Entity at any time during or since the end of the financial year are listed below:

- Stuart Nisbett
- Warwick Keneally
- Peter Shear
- Mike Adams (resigned 9 December 2021)

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

INFORMATION ON THE DIRECTORS

STUART NISBETT
CHAIR

Stuart is currently Executive Director and Principal at Archerfield Capital Partners, a boutique corporate advisory firm specialising in real estate, which he established in 2008. He has more than 30 years experience in property development, property funds management, equity and debt raising, corporate advisory and project finance.

Previously, Stuart was Executive Director, Head of Property Funds at ANZ Investment Bank. He was also the Managing Director, Head of Property Banking & Property Investment Banking at N M Rothschild & Sons (Australia) Limited. Stuart has also held senior roles at director level at Macquarie Bank Property Investment Banking Division and at Lendlease Corporation in its development and commercial asset management divisions.

Stuart is a Chartered Accountant and holds a Bachelor of Commerce with Merit and a Masters of Commerce from the University of NSW, and in 2005 was appointed a Fellow of the Australian Property Institute.

WARWICK KENEALLY

Warwick is Head of Finance at E&P Funds, the Funds Management division of E&P Financial Group Limited and Chief Financial Officer of New Energy Solar Manager. Before joining E&P Funds, Warwick worked in chartered accounting firms specialising in turnaround and restructuring. Warwick started his career with KPMG, working in their Canberra, Sydney and London offices and has undertaken a range of complex restructuring engagements across Europe, UK and Australia, for a range of Australian, UK, European and US banks.

Warwick has worked with companies and lenders to develop and implement strategic business options, provide advice in relation to continuous disclosure requirements, develop cash forecasting training for national firms, and lectured on cash management.

Warwick has a Bachelor of Economics and Bachelor of Commerce from the Australian National University and is a Member of the Institute of Chartered Accountants in Australia and New Zealand.

PETER SHEAR

Peter has significant expertise in funds management, financial advisory and complex lending arrangements including leveraged finance, property development and debt workout situations. Peter is currently a Managing Partner of Archibald Capital which specialises in Opportunistic Credit and Special Situations. Before that Peter was Co-Managing Partner of Opportunistic Lending and Special Situations at LIM Advisors. Prior to this role, Peter held the positions of Chief Risk Officer and Managing Director & Head of Corporate and Structured Finance at Lloyds Banking Group (and its predecessor HBOS plc) in Australia. Peter was also previously a Partner in Corporate Finance & Restructuring at Ernst & Young.

Peter has a Bachelor of Business from the University of Technology Sydney, an Executive MBA from AGSM, is a member of Chartered Accountants Australia and New Zealand, a Fellow of FINSIA and a Graduate Member of the Australian Institute of Company Directors.

MIKE ADAMS (RESIGNED 9 DECEMBER 2021)

Mike has extensive experience across a broad range of corporate, commercial and private client sectors. His core practice areas involve the provision of advice and transactional expertise in relation to new and existing retail and wholesale financial products and the regulatory framework within which they operate, as well as debt and equity financing, intellectual property, and film and television media law among others. Mike has previously worked in private practice, public sector and in-house roles in Australia, New Zealand and the United Kingdom, acting across multiple industries for a variety of clients, including high-net-worth individuals, banks and financial institutions, as well as numerous listed and unlisted corporate entities.

Mike is also a director with MA Law, a Sydney-based financial services law firm, and is admitted as a solicitor of the Supreme Court of NSW. He has a Bachelor of Laws from the University of Otago.

PRINCIPAL ACTIVITIES

The Fund is an unlisted managed investment scheme registered in Australia. The registered office and principal place of business of the Responsible Entity of the Fund is located at Level 32, 1 O'Connell Street, Sydney, New South Wales 2000.

The principal activity of the Fund during the year was investing in technology and disruptive companies in the venture capital stage of development focused predominantly in Australia, Israel, and South-East Asia, through its interest in Square Peg Fund II (**SPFII**).

There were no significant changes in the nature of this activity during the year.

REVIEW AND RESULTS OF OPERATIONS

The profit for the Fund after providing for income tax amounted to $6,675,324 (2021: $6,381,780).

The key components of this result included a $6,790,314 fair value movement gain (2021: $6,728,899 gain) on the Fund's investment in SPFII. As at 30 June 2022, the Fund has called $1.80 (2021: $1.50) per fully paid unit from investors and had net assets of $33,384,820 (2021: $23,653,479) representing $3.28 per unit (2021: $2.32 per unit).

The Fund had a basic and diluted earnings per unit of 65.53 cents for the year ended 30 June 2022 (2021: 62.65 cents per unit).

The Fund has invested in SPFII which, in turn, invests in technology and disruptive companies in the venture capital stage of development. SPFII received total commitments of US$234.5 million, and is invested in 15 early stage technology businesses with 1 complete exit as at 30 June 2022. Net drawdown requests made by the underlying companies since inception to the end of the year totalled US$223.4 million (or 95.2% of total capital commitments).

The Fund has made total capital commitments of US$11.2 million to SPFII, representing an interest of 4.8%. The Fund's proportionate share of the total capital called as at 30 June 2022 was US$10.5 million (or $14.6 million).

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On 29 August 2022, SPFII made its twenty-first capital call of US$226,355. The capital call was paid on 31 August 2022.

FUTURE DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operations of the Fund and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Fund.

ENVIRONMENTAL REGULATION

The Fund is not subject to any significant environmental regulation under Australian Commonwealth or State law.

OTHER RELEVANT INFORMATION

The following lists other relevant information required under the Corporations Act 2001:

- details of fees paid to the Responsible Entity during the financial year – refer to Note 16 to the financial statements
- the Responsible Entity did not hold any interests in the Fund at the end of the financial year
- details of issued interests in the Fund during the financial year - refer to Note 11 to the financial statements

FUND ASSETS

The value of the Fund's assets is disclosed in the Statement of Financial Position and derived using the basis set out in Note 3 to the financial statements.

OPTIONS

No options were granted over issued or unissued units in the Fund during, or since the end of, the year.

INDEMNITY AND INSURANCE

Under the Fund’s constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Fund’s assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

Insurance premiums have been paid, during or since the end of the financial year, for all of the directors of the Responsible Entity of the Fund. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnities have been given or insurance premiums paid, during or since the end of, the financial year, for the auditor of the Fund.

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 directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors

Stuart Nisbett
Chair of E&P Investments Limited

14 September 2022

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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14 September 2022

The Board of Directors
E&P Investments Limited
As Responsible Entity for
Venture Capital Opportunities Fund
Level 32, 1 O'Connell Street
Sydney NSW 2000

Dear Board Members

Auditor's Independence Declaration to Venture Capital Opportunities Fund

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 Venture Capital Opportunities Fund.

As lead audit partner for the audit of the financial statements of the Venture Capital Opportunities Fund for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

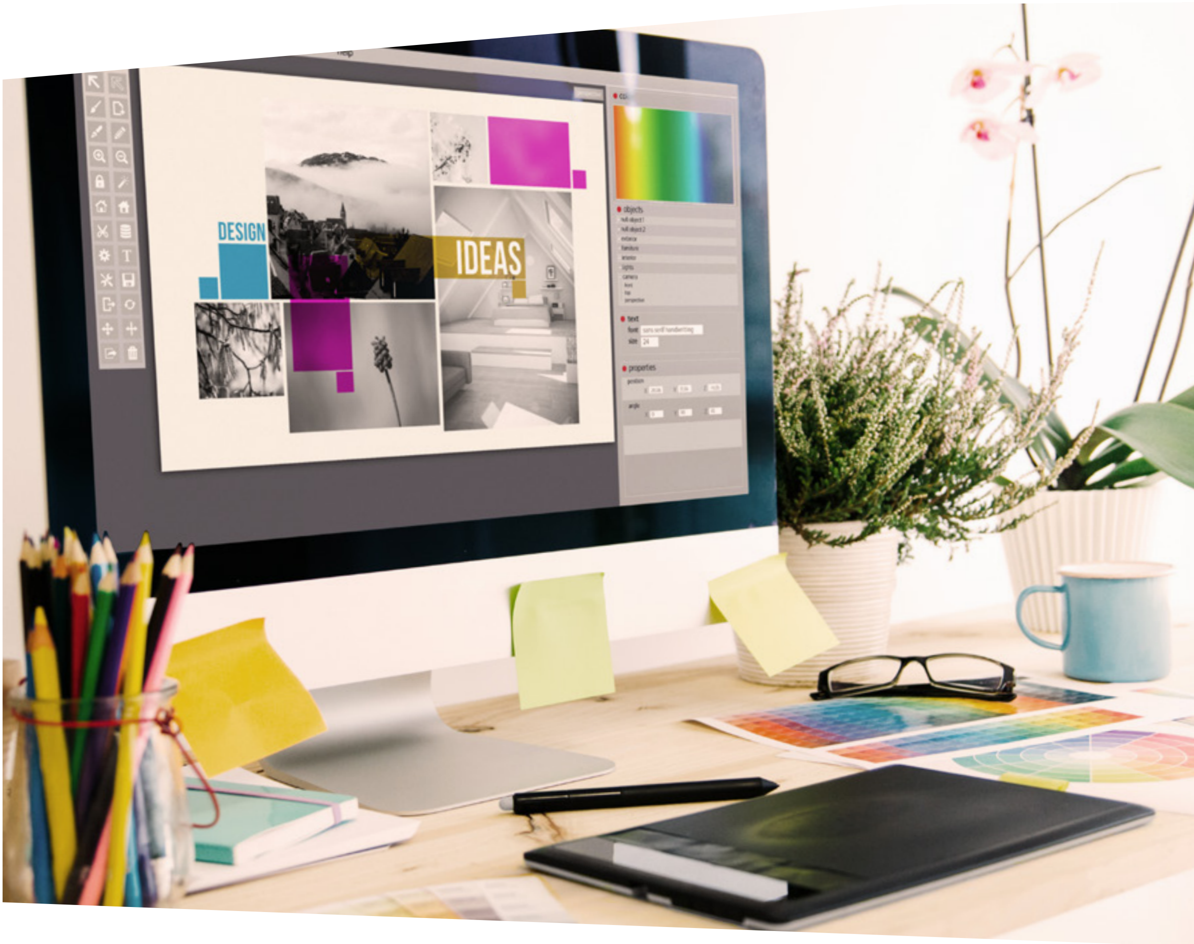
- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Weng W Ching
Partner
Chartered Accountants


DESIGN
IDEAS

Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2022 $	2021 $
Investment income			
Interest income		1,740	1,383
Foreign exchange gain/(loss)		74,692	(225,998)
Fair value movements of equity investments	9	6,790,314	6,728,899
Expenses			
Management and administration fees	16	(191,422)	(122,504)
Profit before income tax expense		**6,675,324**	**6,381,780**
Income tax expense		-	-
Profit after income tax expense for the year		**6,675,324**	**6,381,780**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**6,675,324**	**6,381,780**
		CENTS	CENTS
Basic earnings per unit	6	65.53	62.65
Diluted earnings per unit	6	65.53	62.65

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 2022

	NOTE	2022 $	2021 $
Assets			
Cash and cash equivalents	7	3,575,259	3,670,753
Receivables	8	6,078	26,177
Other financial assets	9	30,458,486	19,971,299
Total assets		**34,039,823**	**23,668,229**
Liabilities			
Trade and other payables	10	655,003	14,750
Total liabiities		**655,003**	**14,750**
Net assets		**33,384,820**	**23,653,479**
Equity			
Issued capital	11	18,043,870	14,987,853
Retained earnings		15,340,950	8,665,626
Total equity		**33,384,820**	**23,653,479**

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2022

	ISSUED CAPITAL $	RETAINED EARNINGS $	TOTAL EQUITY $
Balance at 1 July 2020	**8,875,819**	**2,283,846**	**11,159,665**
Profit after income tax expense for the year	-	6,381,780	6,381,780
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	**-**	**6,381,780**	**6,381,780**
Transactions with unitholders in their capacity as unitholders:			
Issued capital (Note 11)	6,112,034	-	6,112,034
Balance at 30 June 2021	**14,987,853**	**8,665,626**	**23,653,479**

	ISSUED CAPITAL $	RETAINED EARNINGS $	TOTAL EQUITY $
Balance at 1 July 2021	**14,987,853**	**8,665,626**	**23,653,479**
Profit after income tax expense for the year	-	6,675,324	6,675,324
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	**-**	**6,675,324**	**6,675,324**
Transactions with unitholders in their capacity as unitholders:			
Issued capital (Note 11)	3,056,017	-	3,056,017
Balance at 30 June 2022	**18,043,870**	**15,340,950**	**33,384,820**

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

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2022 $	2021 $
Cash flows from operating activities			
Interest income received		685	1,578
Net payments to suppliers		(189,721)	(117,345)
Net cash used in operating activities	17	**(189,036)**	**(115,767)**
Cash flows from investing activities			
Payments for investments		(3,096,383)	(5,269,018)
Receipts from distributions		-	96,618
Net cash used in investing activities		**(3,096,383)**	**(5,172,400)**
Cash flows from financing activities			
Proceeds from capital call instalment	11	3,078,586	6,087,434
Net cash from financing activities		**3,078,586**	**6,087,434**
Net (decrease)/increase in cash and cash equivalents		(206,833)	799,267
Cash and cash equivalents at the beginning of the financial year		3,670,753	3,119,676
Effects of exchange rate changes on cash and cash equivalents		111,339	(248,190)
Cash and cash equivalents at the end of the financial year	7	**3,575,259**	**3,670,753**

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

1. GENERAL INFORMATION

Venture Capital Opportunities Fund (**Fund**) is a managed investment scheme registered and domiciled in Australia. The investment objective of the Fund is to invest in technology and disruptive companies in the venture capital stage of development predominantly in Australia, Israel and South-East Asia, through its interest in Square Peg Fund II (**SPFII**) which comprises of interest in Square Peg Australia 2018, LP (**LP**) as a limited partner and Square Peg Global 2018 Trust (**Trust**) as an ordinary unitholder (together, **Square Peg Fund II** or **SPFII**).

The financial statements were authorised for issue, in accordance with a resolution of directors, on 14 September 2022. The directors have the power to amend and reissue the financial statements.

2. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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 effective for the current full year. The impact of the adoption is not material to the Fund's financial report in the current or future reporting periods and on foreseeable future transactions.

ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

New standards, amendments to standards and interpretations that are effective for annual reporting periods beginning on or after 1 January 2022 have not been early adopted in preparing these financial statements. There are no standards that are not yet effective and that are expected to have a material impact on the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis and are based on historical cost, except for the revaluation of financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

STATEMENT OF COMPLIANCE

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards issued by the AASB and the Corporations Act 2001. Compliance with Australian Accounting Standards ensures the financial statements and notes to the financial statements of the Fund comply with the International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**).

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

FOREIGN CURRENCIES

The functional and presentation currency of the Fund is Australian dollars. This is based on an assessment that the primary economic environment in which the Fund operates is Australia.

Transactions in foreign currencies are initially recorded in Australian dollars by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies that are outstanding at the reporting date are retranslated at the rate of exchange ruling at the Statement of Financial Position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences arising on translation are recognised in profit or loss in the period in which they arise.

INVESTMENT INCOME

Interest income

Interest income is recognised in profit or loss using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Net change in fair value of investments

Realised and unrealised gains and losses on investments measured at fair value through profit or loss are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

TAXES

Income tax

Under current Australian income tax laws, the Fund is not liable to pay Australian income tax provided it is not a public trading trust and its distributable income for each income year is fully distributed to unitholders, by way of cash or reinvestment.

The Fund may be liable to pay income tax dependent on the structure of the underlying investments in which SPFII invests. Rates of tax will vary dependent on the source of income derived.

A deferred tax liability will be recognised based on the difference between the fair value and tax cost base of certain underlying investments in respect of which an economic interest is held by the Fund and on which income tax will likely be payable on realisation of such investments.

Goods and Services Tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except to the extent the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the unrecoverable GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Where fees are stated to be exclusive of GST and GST is payable on any fee, the fee will be increased by an amount equal to the GST payable. Cash flows are presented in the Statement of Cash Flows on a gross basis.

The Fund qualifies for reduced input tax credits at a minimum rate of 55%.

CASH AND CASH EQUIVALENTS

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

RECEIVABLES

Receivables include distributions receivable, reduced input tax credit receivable and other receivables. Amounts are generally received within 30 days of being accrued for. Receivable amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition.

The amount of the impairment loss is recognised in profit or loss within other operating expenses. When receivables 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 the other operating expenses in profit or loss.

FINANCIAL INSTRUMENTS

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets

When financial assets are recognised initially, they are measured at fair value plus, in the case of financial assets not at fair value through profit and loss, directly attributable transaction costs.

Financial assets are subsequently measured at amortised cost using the effective interest rate method only if the following conditions are met, otherwise they are measured at fair value:

— Where a financial asset is held within a business model for the objective to collect contractual cash flows; and

— Contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The interest held by the Fund in SPFII does not meet the conditions to satisfy subsequent measurement at amortised cost, and is therefore measured on an ongoing basis at fair value through profit or loss.

Financial liabilities

Financial liabilities are classified as derivative and non-derivative instruments as appropriate. The Fund determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value. Non-derivative instruments are subsequently measured at amortised cost using the effective interest rate method. Derivative liabilities are subsequently measured at fair value.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged or cancelled or expire. The difference between the carrying value 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.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in the principal (or most advantageous) market at balance date under current market conditions. Valuation techniques are applied to determine the fair value for all unlisted securities and securities in markets that are not active. The interest in SPFII held by the Fund is valued using a 'proportionate' value method based on the proportion of the total net asset value (determined on a fair value basis) of SPFII in which the Fund has an interest at each balance date, translated at the applicable balance date foreign exchange rate. Gains and losses arising from changes in the fair value of interest in SPFII are presented in the Statement of Profit or Loss and Other Comprehensive Income within fair value movements of equity investments in the period in which they arise.

Impairment

The Fund recognises a loss allowance for expected credit losses (**ECL**) on financial assets that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Fund recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to twelve-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, twelve-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve months after the reporting date.

No impairment assessment is performed in respect of the interest in SPFII, where fair value changes are recorded in profit or loss.

ISSUED CAPITAL

Ordinary units

Ordinary units are classified as equity. Issued capital is recognised at the fair value of the consideration received by the Fund. Incremental costs directly attributable to the issue of the ordinary units are recognised as a deduction from equity.

EARNINGS PER UNIT

Basic earnings per unit is calculated by dividing the profit or loss attributable to unitholders by the weighted average number of units outstanding during the financial period. Diluted earnings per unit is the same as there are no potential dilutive ordinary units.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Fund's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Accounting policies which are subject to significant accounting estimates and judgements include fair value determination of the interest held by the Fund in SPFII (refer to Note 9 (iv)).

4. OPERATING SEGMENT

The Fund operates a single reportable segment, that being the business of investing in technology and disruptive companies in the venture capital stage of development through its interest in SPFII.

The Responsible Entity of the Fund is the Chief Operating Decision Maker (**CODM**) for the purpose of resource allocation and assessing performance of the operating segment.

Revenue, profit or loss, assets, liabilities and other financial information reported and monitored by the CODM of the single identified segment are reflected in the financial statements and notes to the financial statements of the Fund.

5. DISTRIBUTIONS

There were no distributions paid, recommended or declared during the current or previous financial year.

6. EARNINGS PER UNIT

	2022 $	2021 $
Profit after income tax	6,675,324	6,381,780
	NUMBER	**NUMBER**
Weighted average number of ordinary units used in calculating basic earnings per unit	10,186,723	10,186,723
Weighted average number of ordinary units used in calculating diluted earnings per unit	10,186,723	10,186,723
	CENTS	**CENTS**
Basic earnings per unit	65.53	62.65
Diluted earnings per unit	65.53	62.65

7. CASH AND CASH EQUIVALENTS

	2022 $	2021 $
Cash at bank	3,575,259	3,670,753

The exposure to interest rate risk and a sensitivity analysis is disclosed in Note 12 to the financial statements.

8. RECEIVABLES

	2022 $	2021 $
Interest receivable	1,092	37
GST receivable	2,955	1,540
Receivable from unitholders	2,031	24,600
	6,078	**26,177**

There are no balances included in receivables that contain assets that are impaired. All receivables are non-interest bearing and are generally receivable on 30 day terms. No receivable amounts are overdue. The receivables are recorded at carrying amounts that are reasonable approximations of fair value.

9. OTHER FINANCIAL ASSETS

(I) EQUITY INVESTMENT CONSTITUTING INTEREST IN SQUARE PEG FUND II - AT FAIR VALUE:

	2022 $	2021 $
Square Peg Global 2018 Trust	26,148,119	14,086,318
Square Peg Australia 2018 LP	4,310,367	5,884,981
Square Peg Fund II	**30,458,486**	**19,971,299**

(II) RECONCILIATION

	SQUARE PEG GLOBAL 2018 TRUST $	SQUARE PEG AUSTRALIA 2018 LP $	TOTAL $
Balance at 1 July 2020	**5,718,291**	**2,329,517**	**8,047,808**
Capital invested – at cost	4,263,715	1,027,495	5,291,210
Movement in fair value through profit or loss*	4,200,930	2,527,969	6,728,899
Distributions from SPFII	(96,618)	-	(96,618)
Balance at 30 June 2021	**14,086,318**	**5,884,981**	**19,971,299**
Capital invested – at cost	2,932,450	764,423	3,696,873
Movement in fair value through profit or loss*	5,342,348	1,447,966	6,790,314
Interfund transfer	3,787,003	(3,787,003)	-
Balance at 30 June 2022	**26,148,119**	**4,310,367**	**30,458,486**

*Included in the 'movement in fair value' amount of $6,790,314 (2021: $6,728,899) is an unrealised foreign exchange translation gain component of $2,152,613 (2021: $782,675 loss). This amount is also net of the Fund's 4.8% share of management fees paid by SPFII to Square Peg Capital (manager of SPFII), totalling US$221,247 (2021: US$230,374).

(III) FUND'S INTEREST IN ASSETS AND LIABILITIES OF SQUARE PEG FUND III

The 4.8% economic interest held by the Fund is not represented by voting rights or other power vested in the Fund to make decisions relating to the assets and liabilities of Square Peg Fund II, which comprises of investments in Square Peg 2018, LP (**LP**) as a limited partner and Square Peg Global 2018 Trust (**Trust**) as an ordinary unitholder. The General Partner of the LP and Trustee of the Trust have delegated all management functions of SPFII to the manager of SPFII, including selecting and managing the investments of SPFII.

(IV) VALUATION

Valuation technique adopted

The fair value of the Fund's interest in the SPFII is determined using a 'proportionate' value method based on the Fund's 4.8% interest held in the total net asset value of SPFII.

SPFII holds investments predominantly in early stage venture capital companies which are recognised on an ongoing basis at fair value.

The fair value of the Fund's interest in SPFII is therefore ultimately based on the market valuation techniques adopted by SPFII in the measurement of their underlying unlisted equity investments based on market conditions existing at balance date. The fair value is also subject to foreign exchange translation impacts arising from translating the USD denominated interest in SPFII to AUD at each balance date. Refer to Note 12(a) for Market Risk sensitivity analysis.

Investment risks

As noted above, SPFII holds investments predominantly in early stage venture capital companies. Because of the absence of any liquid trading market for these types of investments, it may take longer to liquidate these investments than would be the case for marketable securities and accordingly the value obtained on realisation may differ materially to the estimated fair values at balance date. Valuation techniques used by SPFII include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs. As such, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material. These differences would directly impact the value of the interest held by the Fund in SPFII. Estimation uncertainty also arises in relation to likely tax obligations the Fund will incur in connection with realisation of recorded fair value movements.

(V) CAPITAL COMMITMENTS

As at 30 June 2022, the Fund has made capital commitments totalling US$11.2 million to SPFII, of which US$10.5 million has been called at balance date.

As at 30 June 2022, the Fund has uncalled capital commitments of US$0.7 million (or $1.1 million) outstanding to SPFII. The capital commitments can be called at any time in the future.

The uncalled capital commitments referred to above were converted at the AUD:USD year-end exchange rate of 0.6903.

10. TRADE AND OTHER PAYABLES

	2022 $	2021 $
Trade payables	17,866	14,750
Other payables	637,137	-
	655,003	**14,750**

Refer to Note 12 for further information on financial instruments.

The average credit period for trade creditors is generally 30 days. No interest is charged on trade creditors from the date of the invoice. The Fund has risk management policies in place to ensure invoices are paid within credit terms.

The other payables related to capital call payable as at 30 June 2022. Payment was made on 21 July 2022.

11. ISSUED CAPITAL

	2021 UNITS	2020 UNITS	2022 $	2021 $
Ordinary units – fully paid	**10,186,723**	10,186,723	**18,043,870**	14,987,853

ORDINARY UNITS – FULLY PAID

Ordinary units were issued on a partly paid basis, up to a fully paid amount of $1.80 per unit. The partly paid ordinary units were called in accordance with the Constitution and as required by the Responsible Entity of the Fund. Partly paid ordinary units carried the same rights and entitlements on a fractional basis, as fully paid ordinary units, with such fractions being the equivalent to the proportion which the amount paid is of the fully paid amount of the units.

The fifth and final instalment of $0.30 per ordinary unit (totalling $3,056,017) was called on 13 May 2022.

As at 30 June 2022, the Fund has called $1.80 (2021: $1.50) per ordinary unit from the Australian investors and the ordinary units are fully paid.

CAPITAL MANAGEMENT

The Fund manages its capital to ensure it will be able to continue as a going concern while maximising the return to unitholders. The capital structure of the Fund consists of issued capital amounting to $18,043,870. The Fund is not subject to any externally imposed capital requirements.

12. FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES

The Fund is exposed to the following risks from its use of financial instruments:

- market risk (foreign exchange risk, market price risk and interest rate risk)
- credit risk
- liquidity risk.

The Responsible Entity has overall responsibility for the establishment and oversight of the risk management framework, including developing and monitoring risk management policies.

A) MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates, interest rates and equity prices. The Fund is primarily exposed to market risks arising from fluctuations in market price risk, foreign currency and interest rates. Refer to Note 9(iv) for further details of risks relating to equity prices.

Foreign exchange risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency. Foreign exchange rate movements will impact on the Australian dollar value of the Fund's financial assets and liabilities denominated in a currency that is not the Fund's functional currency.

The Fund is exposed to USD foreign exchange risk through its USD denominated cash balances, its investment activities and income derived from these activities.

The table below details the carrying amounts of the Fund's foreign exchange risk as at the end of the reporting period. This represents the Australian dollar exposure, converted at an exchange rate of 0.6903.

	2022 $	2021 $
Cash and cash equivalents	1,722,425	495,240
Receivables	8	8
Other financial assets (equity investments)	**30,458,486**	**19,971,299**
	32,180,919	**20,466,547**

Sensitivity analysis

The effect of the foreign exchange risk relating to equity investments (investment in SPFII) is recorded in profit or loss as part of the overall fair value movement in the investment (refer to Note 9(ii)). The effect of foreign exchange risk relating to cash and cash equivalents is recorded in profit or loss as a foreign exchange gain or loss.

The Fund considers a 10% movement in the AUD against USD as at 30 June 2022 (2021: 10%) to be a reasonable possibility at the end of the reporting period. The impact of the strengthening and weakening of AUD against USD in profit or loss and equity is shown by the amounts below as it relates to cash and cash equivalents, receivables and equity investments. This analysis assumes that all other variables remain constant.

	AUD STRENGTHENED			AUD WEAKENED		
	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
2022						
Cash and cash equivalents	10%	(156,584)	(156,584)	(10%)	191,381	191,381
Receivables	10%	(1)	(1)	(10%)	1	1
Equity investments	10%	(2,768,953)	(2,768,953)	(10%)	3,384,276	3,384,276
		(2,925,538)	**(2,925,538)**		**3,575,658**	**3,575,658**

	AUD STRENGTHENED			AUD WEAKENED		
	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
2021						
Cash and cash equivalents	10%	(45,022)	(45,022)	(10%)	55,027	55,027
Receivables	10%	(1)	(1)	(10%)	1	1
Equity investments	10%	(1,815,573)	(1,815,573)	(10%)	2,219,033	2,219,033
		(1,860,596)	**(1,860,596)**		**2,274,061**	**2,274,061**

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to individual investments or factors affecting all instruments traded in the market.

Sensitivity analysis

The Fund considers a 10% increase or decrease to be a reasonably possible change in market prices at the reporting date. The sensitivity analysis below reflects the Fund's proportionate exposure to market price risk of the underlying equity investments of SPFII excluding any foreign exchange impact. The impact of a 10% movement in market prices (excluding foreign exchange impact) on profit or loss and equity is shown in the table below:

	AVERAGE PRICE INCREASE			AVERAGE PRICE DECREASE		
	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
2022						
Equity investments	10%	**3,045,849**	**3,045,849**	(10%)	**(3,045,849)**	**(3,045,849)**
2021						
Equity investments	10%	**1,997,130**	**1,997,130**	(10%)	**(1,997,130)**	**(1,997,130)**

Interest rate risk

The Fund is exposed to interest rate risk on its variable rate bank deposits. The Fund currently does not hedge against this exposure.

Sensitivity analysis

The Fund considers a 200 basis point (2021: 50 basis point) increase or decrease to be a reasonably possible change in interest rates in an environment of tightening monetary policy. The impact of a 200 basis point movement in interest rates on profit or loss and equity is shown in the table below.

	BASIS POINTS INCREASE			BASIS POINTS DECREASE		
	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
2022						
Variable rate bank deposits	200	**71,505**	**71,505**	(200)	**(71,505)**	**(71,505)**
2021						
Variable rate bank deposits	50	**18,354**	**18,354**	(50)	**(18,354)**	**(18,354)**

B) CREDIT RISK

Credit risk is the risk that contracting parties to a financial instrument will cause a financial loss for the Fund by failing to discharge an obligation. The Fund manages credit risk by ensuring deposits are made with reputable financial institutions with investment grade credit ratings.

The carrying amount of financial assets that represents the maximum credit risk exposure at the end of reporting period are detailed below:

	2022 $	2021 $
Summary of exposure		
Cash and cash equivalents	3,575,259	3,670,753
Interest receivable	1,092	37
GST receivable	2,955	1,540
Receivable from unitholders	2,031	24,600
	3,581,337	**3,696,930**

C) LIQUIDITY RISK

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund’s reputation.

The Fund’s liquidity primarily comprises cash at bank totalling $3,575,259 at 30 June 2022. It is held to cover the Fund's day-to-day running costs and expenditures and to fund its capital commitments to SPFII which total $1,084,346 at balance date.

The following is the contractual maturity of financial liabilities and capital commitments. The table has been drawn based on the undiscounted cash flows of liabilities based on the earliest date on which the Fund can be required to settle the liability.

2022	LESS THAN 12 MONTHS	AT CALL	REMAINING CONTRACTUAL MATURITIES
Non-derivatives			
Non-interest bearing			
Trade and other payables	655,003	-	655,003
Capital commitments	-	1,084,346	1,084,346
Total non-derivatives	**655,003**	**1,084,346**	**1,739,349**

2021	LESS THAN 12 MONTHS	AT CALL	REMAINING CONTRACTUAL MATURITIES
Non-derivatives			
Non-interest bearing			
Trade and other payables	14,750	-	14,750
Capital commitments	-	4,580,495	4,580,495
Total non-derivatives	**14,750**	**4,580,495**	**4,595,245**

13. FAIR VALUE MEASUREMENT

FAIR VALUE

The fair value of financial assets and financial liabilities approximate their carrying values at the reporting date.

The table below analyses recurring fair value measurements for financial assets and financial liabilities. The fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation techniques used. The different levels are defined as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical financial assets or liabilities
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

20221	LEVEL 1 $	LEVEL 2 $	LEVEL 3 $	TOTAL $
Financial assets carried at fair value				
Other financial assets – equity investment constituting interest in Square Peg Fund II	-	-	30,458,486	30,458,486
Total assets	**-**	**-**	**30,458,486**	**30,458,486**

2021	LEVEL 1 $	LEVEL 2 $	LEVEL 3 $	TOTAL $
Financial assets carried at fair value				
Other financial assets – equity investment constituting interest in Square Peg Fund II	-	-	19,971,299	19,971,299
Total assets	**-**	**-**	**19,971,299**	**19,971,299**

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 levels during the financial year.

Details of the determination of level 3 fair value measurements including the valuation technique adopted and the key underlying unobservable inputs used are set out in Note 9.

The Fund has continued to follow its established policies and process (as set out in this note) in managing risk and determining the fair value of the financial assets and liabilities as at the reporting date. No changes were required to the principles used in applying the fair value measurement hierarchy to financial assets and liabilities held, with each asset and liability continuing to be classified in a manner which reflects the significance and observability of the inputs used in the valuation.

14. CONTINGENT LIABILITIES

The directors of the Responsible Entity are not aware of any potential liabilities or claims against the Fund as at balance date.

15. CAPITAL COMMITMENTS

Other than the capital commitments disclosed in Note 9(v) to the financial statements, the Fund does not have any other capital commitments outstanding for the financial year ended 30 June 2022.

16. RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL

Stuart Nisbett, Warwick Keneally and Peter Shear are directors of the Responsible Entity of the Fund, E&P Investments Limited, and are deemed to be key management personnel.

The key management personnel do not receive compensation from the Fund or from the Responsible Entity directly for their management function performed for the Fund.

As at reporting date, details of directors who hold units for their own benefit or who have an interest in holdings through a third party and the total number of such units held are listed as follows:

	2022 $	2021 $
Warwick Keneally	**2,500**	**2,500**

Stuart Nisbett and Peter Shear do not hold units in the Fund as at 30 June 2022 (2021: nil).

RELATED PARTY INVESTMENTS IN THE SCHEME

The Responsible Entity or its associates does not hold any investments in the scheme.

RESPONSIBLE ENTITY SERVICES

a) Responsible Entity and Administration fees

The Responsible Entity's duties include establishing the compliance plan and procedures and monitoring against regulatory and legislative requirements, the issuance of disclosure documents, the appointment and monitoring of external service providers to the Fund and overall administration of the Fund. As Responsible Entity, E&P Investments Limited charges a fee of 0.58% per annum (exclusive of GST) of the gross asset value of the Fund, representing a Responsible Entity fee of 0.08% (exclusive of GST) per annum and an Administration fee of 0.50% per annum (exclusive of GST).

Total Responsible Entity and Administration fees paid or payable to the Responsible Entity for the year ended 30 June 2022 were $183,179 (2021: $117,242), exclusive of GST, and included in management and administration fees in profit or loss.

b) Fund administration fee

Australian Fund Accounting Services Pty Limited, a related party of the Responsible Entity, provides fund administration services to the Fund under an agreement with the Responsible Entity. These services include net asset valuation, management accounting, statutory reporting, capital management and taxation. The Responsible Entity has agreed to bear the cost of the fund administration services and, as such, there were no fund administration fees paid out of the assets of the Fund.

c) Legal and consulting services

MDA1 Pty Limited, trading as MA Law, provides legal and consulting services to the Responsible Entity and the investment schemes under its control. Mike Adams, a director (resigned on 9 December 2021) of the Responsible Entity, is also a director and shareholder of MDA1 Pty Limited.

The Responsible Entity has agreed to bear the cost of the legal and consulting services and, as such, there were no legal and consulting fees paid out of the assets of the Fund. Subsequent to Mike's resignation as a director, MDA1 Pty Limited ceased to be a related party at 31 December 2021.

17. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	2021 $	2020 $
Profit after income tax expense for the year	6,675,324	6,381,780
Adjustments for		
Fair value movements of equity investments	(6,790,314)	(6,728,899)
Net foreign exchange loss	(74,692)	225,998
Change in operating assets and liabiities		
(Increase)/Decrease in receivables (excluding receivables from unitholders)	(2,470)	277
Increase in payables (excluding other payables)	3,116	5,077
Net cash used in operating activities	**(189,036)**	**(115,767)**

18. REMUNERATION OF AUDITORS

During the financial year, the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Fund:

	2022 $	2021 $
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	**31,500**	**29,800**

E&P Investments Limited, the Responsible Entity of the Fund, has agreed to bear the cost of the audit for the reporting period.

19. EVENTS AFTER THE REPORTING PERIOD

On 29 August 2022, SPFII made its twenty-first capital call of $226,355. The capital call was paid on 31 August 2022.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

Directors' Declaration

The directors of the Responsible Entity declare that, in the directors' opinion:

— the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and the *Corporations Regulations 2001*;

— the attached financial statements are in compliance with International Financial Reporting Standards as stated in the notes to the financial statements;

— the attached financial statements and notes give a true and fair view of the Fund's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and

— there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the directors of the Responsible Entity

Stuart Nisbett
Chair of E&P Investments Limited

14 September 2022

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the unitholders of Venture Capital Opportunities Fund

Opinion

We have audited the financial report of Venture Capital Opportunities Fund (the "Fund") which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity 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 the directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Fund's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of E&P Investments Limited, the Responsible Entity of the Fund ("the directors"), would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Fund's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Deloitte.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the 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 scepticism 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 the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 our audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Weng W Ching
Partner
Chartered Accountants
Sydney, 14 September 2022

VENTURE CAPITAL OPPORTUNITIES FUND

INVESTING IN SQUARE PEG II

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