

Invesco Credit Opportunities Fund - Third Close

ARSN 624 176 101

Annual report

for the year ended 30 June 2024

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Contents

	Page
Directors' report	1
Auditor's independence declaration	4
Statement of comprehensive income	5
Balance sheet	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	22
Independent auditor's report to the unitholders of Invesco Credit Opportunities Fund - Third Close	23

These financial statements cover Invesco Credit Opportunities Fund - Third Close as an individual entity.
The Responsible Entity of Invesco Credit Opportunities Fund - Third Close is Invesco Australia Limited (ABN 48 001 693 232).
The Responsible Entity's registered office is Level 26, 333 Collins Street, Melbourne VIC 3000.

Directors' report

The directors of Invesco Australia Limited, the Responsible Entity of Invesco Credit Opportunities Fund - Third Close, present their report together with the financial statements of Invesco Credit Opportunities Fund - Third Close (the "Fund"), for the year ended 30 June 2024.

Principal activities

The Fund is an opportunistic credit fund with a focus on investing in middle market and small capitalisation stressed and distressed credit opportunities. The Fund expects to primarily purchase public or private debt at a discount to par while targeting investments that the Fund believe have the potential to produce targeted gross returns.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

Directors

The following persons held office as directors of the Responsible Entity during the year or since the end of the year and up to the date of this report:

Martin Franc (Chairman)
Jeremy Simpson
Andrew Lo
Alex (Hideki) Sato
Jason Roach
Jonathon Crook (Appointed as Director effective 1 September 2024)

Review and results of operations

There have been no significant changes to the operations of the Fund during the year. The Fund continued to invest in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

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

	Year ended	
	30 June 2024	30 June 2023
Operating profit (\$'000)	1,478	1,899
<i>Distributions</i>		
Distributions paid and payable (\$'000)	5,324	3,599
Distributions (cents per unit)	14.4887	9.7945

Directors' report (continued)

Significant changes in state of affairs

Market disruptions associated with current geopolitical events have had a global impact, and uncertainty exists as to their implications. Such disruptions can adversely affect the valuations and thus the performance of the Fund. Management is continuing to monitor this development and evaluate its impact on the Fund. In assessing such impacts, management has reviewed the Fund's assets and liabilities to ensure valuations remain appropriate.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Fund that occurred during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect:

- (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.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnity and insurance of officers and auditors

No insurance premiums were paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of Invesco Australia Limited or the auditors of the Fund. So long as the officers of Invesco Australia Limited act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditors of the Fund are in no way indemnified out of the assets of the Fund.

Fees paid to and interests held in the Fund by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of the Fund's property during the year are disclosed in Note 13 to the financial statements.

No fees were paid out of the Fund's property to the directors of the Responsible Entity during the year.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are also disclosed in Note 13 of the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 8 to the financial statements.

The value of the Fund's assets and liabilities is disclosed on the balance sheet and derived using the basis set out in Note 2 to the financial statements.

Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

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.

Directors' report (continued)

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the directors of Invesco Australia Limited.

Director 
Jonathon Crook

Melbourne

19 September 2024



Auditor's Independence Declaration

As lead auditor for the audit of Invesco Credit Opportunities Fund - Third Close Fund for the year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Adrian Gut'.

Adrian Gut
Partner
PricewaterhouseCoopers

Melbourne
19 September 2024

Invesco Credit Opportunities Fund - Third Close
Statement of comprehensive income
for the year ended 30 June 2024

Statement of comprehensive income

		Year ended	
		30 June 2024	30 June 2023
	Note	\$'000	\$'000
Investment income			
Interest income		4	2
Distribution income		3,326	1,989
Net losses on financial instruments at fair value through profit or loss	5	(1,852)	(92)
Total net investment income		1,478	1,899
Expenses			
Total operating expenses		—	—
Operating profit		1,478	1,899
Profit for the year		1,478	1,899
Other comprehensive income		—	—
Total comprehensive income for the year		1,478	1,899

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Invesco Credit Opportunities Fund - Third Close
Balance sheet
As at 30 June 2024

Balance sheet

		As at	
	Note	30 June 2024 \$'000	30 June 2023 \$'000
Assets			
Cash and cash equivalents	10	278	277
Financial assets at fair value through profit or loss	6	<u>22,775</u>	<u>26,622</u>
Total assets		<u>23,053</u>	<u>26,899</u>
Liabilities			
Total liabilities		<u>—</u>	<u>—</u>
Net assets attributable to unitholders - equity	8	<u>23,053</u>	<u>26,899</u>

The above balance sheet should be read in conjunction with the accompanying notes.

Invesco Credit Opportunities Fund - Third Close
Statement of changes in equity
for the year ended 30 June 2024

Statement of changes in equity

		Year ended	
		30 June	30 June
		2024	2023
	Note	\$'000	\$'000
Total equity at the beginning of the year		26,899	28,599
Comprehensive income for the year			
Profit for the year		1,478	1,899
Other comprehensive income		<u>—</u>	<u>—</u>
Total comprehensive income for the year		1,478	1,899
Transactions with unitholders			
Distributions paid and payable	2	<u>(5,324)</u>	<u>(3,599)</u>
Total transactions with unitholders		<u>(5,324)</u>	<u>(3,599)</u>
Total equity at the end of the year		<u>23,053</u>	<u>26,899</u>

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

Invesco Credit Opportunities Fund - Third Close
Statement of cash flows
for the year ended 30 June 2024

Statement of cash flows

		Year ended	
		30 June	30 June
		2024	2023
	Notes	\$'000	\$'000
<i>Cash flows from operating activities</i>			
Proceeds from sale/return of capital from financial instruments at fair value through profit or loss		1,995	1,617
Distributions received		3,326	1,989
Interest received		4	2
<i>Net cash inflow from operating activities</i>	11	<u>5,325</u>	<u>3,608</u>
<i>Cash flows from financing activities</i>			
Distributions paid to unitholders		(5,324)	(3,599)
<i>Net cash outflow from financing activities</i>		<u>(5,324)</u>	<u>(3,599)</u>
<i>Net increase in cash and cash equivalents</i>		1	9
Cash and cash equivalents at the beginning of the year		277	276
Effects of foreign currency exchange rate changes on cash and cash equivalents		–	(8)
<i>Cash and cash equivalents at the end of the year</i>	10	<u><u>278</u></u>	<u><u>277</u></u>

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

1 General information

These financial statements cover Invesco Credit Opportunities Fund - Third Close (the "Fund") as a registered managed investment scheme. The Fund was constituted on 1 February 2018.

The Responsible Entity of the Fund is Invesco Australia Limited (ABN 48 001 693 232) (the "Responsible Entity"). The Responsible Entity's registered office is Level 26, 333 Collins Street, Melbourne VIC 3000. The financial statements are presented in the Australian currency.

The financial statements were authorised for issue by the directors on 19 September 2024. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

Assets of the Fund

The Fund is an Australian domiciled, closed-end wholesale unit trust, acting as a feeder fund. The Fund invests into a limited partnership in accordance with the provisions of the Fund's Constitution.

A Cayman Islands exempted Limited Partnership called Invesco Credit Partners Fund - A, L.P.

The assets of the underlying investment are invested directly or indirectly in assets associated with middle market & small capitalisation stressed & distressed credit opportunities.

The manager of the limited partnership is Invesco Private Capital, Inc., a member of the Invesco Group of Companies.

There are no currency hedging activities within the Fund.

The Fund maintains an Australian dollar and a US dollar cash accounts with the Custodian to meet its obligations to pay the expenses of the Fund.

Unitholders of the Fund

The Fund has 49 unitholders who have entered into a subscription agreement for a total commitment amount of US\$22,965,544.

At 30 June 2024, the remaining US dollar commitment that can be called from the unitholders is US\$2,169,801 (2023: US\$22,965,544).

2 Summary of material accounting policies

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia. The Fund is a for-profit unit trust for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The balance sheet is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All material balances are expected to be recovered or settled within 12 months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within 12 months after the end of each reporting period cannot be reliably determined.

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(ii) New and amended standards adopted by the Fund

The Fund has applied the following standards and amendments for the first time for its annual reporting period commencing 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 amendment 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.

2 Summary of material accounting policies (continued)

(a) Basis of preparation (continued)

(iii) New standards, amendments and interpretations effective after 1 July 2024 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2024, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

(b) Financial instruments

(i) Classification

Assets

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund uses fair value information to assess performance of the portfolio and to make decisions to rebalance the portfolio or to realise fair value gains or minimise losses through sales or other trading strategies. The Fund's policy is for the Responsible Entity to evaluate the information about these financial instruments primarily on a fair value basis, with the supporting use of other related financial information.

Equity securities and derivatives are measured at fair value through profit or loss.

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments has expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Fund measures financial assets and financial liabilities at fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise. As the investment in the limited partnership is not liquid, the fair value of this investment is estimated by the Investment Manager based on the initial cost of the investment adjusted for the Fund's proportional share of any subsequent profit/loss earned by the limited partnership (as most recently reported by the General Partner of the limited partnership and including unrealised gains or losses on the underlying assets of the limited partnership) and any distributions received by the Fund from the limited partnership.

For further details on how the fair values of financial instruments are determined please see Note 4 to the financial statements.

(c) Net assets attributable to unitholders

The units on issue entitles the unitholders to a pro-rata share of the net assets of the Fund upon liquidation.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

2 Summary of material accounting policies (continued)

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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 3 months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

(e) Investment income

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents.

Dividend and distribution income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income and distribution income when the Fund's right to receive payments is established.

Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b) of the financial statements.

(f) Expenses

All expenses, including Responsible Entity's fees, are recognised in the statement of comprehensive income on an accruals basis.

(g) Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statement of comprehensive income.

(h) Distributions

In accordance with the Fund's Constitution, the Fund distributes income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statement of changes in equity.

(i) Foreign currency translation

(i) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the statement of comprehensive income on a net basis within gains/(losses) on financial instruments at fair value through profit or loss.

(j) Receivables and accrued income

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in Note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

2 Summary of material accounting policies (continued)

(j) Receivables and accrued income (continued)

These 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. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(k) Payables

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

(l) Goods and services tax (GST)

Expenses of various services provided to the Fund by third parties such as Responsible Entity fees are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the expense in the statement of comprehensive income. The Fund qualifies for Reduced Input Tax Credits (RITC). Responsible Entity fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the balance sheet. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(m) Comparative revisions

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(n) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, investment valuation is available through Limited Partnership's Capital Statement. However, certain financial instruments, for example over the counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

(o) Rounding of amounts

The Fund is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the "rounding off" amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

3 Financial risk management

The Fund's activities may expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by an Investment Manager under policies approved by the Board of Directors of the Responsible Entity (the "Board").

The Fund uses different methods to measure different types of risks to which the Fund is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ratings analysis for credit risk.

As part of its risk management strategy, the Fund may use derivatives and other investments, including share price and bond futures, interest rate swaps and forward currency contracts, to manage exposures resulting from changes in interest rates, foreign currencies, equity price risks and exposure arising from forecast transactions.

Market disruptions associated with current geopolitical events have had a global impact, and uncertainty exists as to their implications. Such disruptions can adversely affect the valuations and thus the performance of the Fund. Management is continuing to monitor this development and evaluate its impact on the Fund. In assessing such impacts, management has reviewed the Fund's assets and liabilities to ensure valuations remain appropriate.

(a) Market risk

(i) Price risk

The Fund is exposed to price risk arising from its investment in a limited partnership. All investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Paragraph (ii) below sets out how this component of price risk is managed and measured.

Assets and liabilities of the partnership are recorded at their fair value determined by the General Partner (of the limited partnership) on a quarterly basis. Valuation methods used may include, but are not limited to, forecasts of future net cash flows based on the General Partner's analysis of future earnings from the investment, plus anticipated net proceeds from refinancing, the prevailing market capitalisation rates or earnings multiples applied to stabilised income or adjusted earnings from the investment, recent sales of comparable investments, independent third party appraisals, sales negotiations and bonafide purchase offers received from independent parties.

Estimated fair values do not necessarily represent the prices at which the investment would be sold, since market prices can only be determined by negotiations between a willing buyer and a willing seller. As determining fair value involves subjective judgments, and given the inherent uncertainty of valuation assumptions regarding capitalisation rates, discount rates, and other factors, the estimated fair values reflected in the combined financial statements may differ from the values that ultimately are realised by the limited partnership, and the differences could be material.

At 30 June, the fair value of the limited partnership exposed to price risk was as follows:

	As at	
	30 June	30 June
	2024	2023
	\$'000	\$'000
Limited partnership at fair value through profit or loss	<u>22,775</u>	<u>26,622</u>
Net total	<u>22,775</u>	<u>26,622</u>

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk

The foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund holds assets denominated in currencies other than the Australian dollar, the functional currency. It is therefore exposed to foreign exchange risk, as the value of the future cash flows of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis.

The foreign exchange risk disclosures have been prepared on the basis of the Fund's direct investment and not on a look through basis for investments held indirectly through unit trusts. Consequently the disclosure of currency risk in the note may not represent the true currency risk profile of the Fund where the Fund has significant investments in indirect trusts which also have exposure to the currency markets.

The table below summarises the Fund's assets and liabilities that are denominated in a currency other than the Australian dollar.

	US Dollars \$'000
30 June 2024	
Assets	
Financial assets at fair value through profit or loss	<u>22,775</u>
Total assets	<u>22,775</u>
30 June 2023	
Assets	
Financial assets at fair value through profit or loss	<u>26,622</u>
Total assets	<u>26,622</u>

(iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund does hold cash for liquidity and transactional purposes and this cash is held at floating rates of interest. As a result, the Fund is subject to a limited exposure to interest rate risks due to fluctuations in the levels of market interest rates.

There was no significant direct interest rate risk in the Fund as at 30 June 2024 (2023: Nil).

3 Financial risk management (continued)

(b) Summarised sensitivity analysis

The following tables summarise the sensitivity of the Fund's operating profit and net assets attributable to unitholders to price risk and foreign exchange risk.

	Impact on operating profit and net assets attributable to unitholders			
	As at			
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	+7% \$'000	-15% \$'000	+13% \$'000	-18% \$'000
Price risk	1,594	(3,416)	3,461	(4,792)

	As at 30 June 2024			
	Impact on operating profit and net assets attributable to unitholders			
	Change in currency rate Increase %	Decrease %	Increase \$'000	Decrease \$'000
Foreign exchange risk USD	+5	-5	1,139	(1,139)

	As at 30 June 2023			
	Impact on operating profit and net assets attributable to unitholders			
	Change in currency rate Increase %	Decrease %	Increase \$'000	Decrease \$'000
Foreign exchange risk USD	+8	-8	2,130	(2,130)

In determining the impact of an increase/decrease in operating profit/loss and net assets attributable to unitholders, the responsible entity has considered, based on management's best estimate, and having regard to a number of factors, including historical movements of the portfolio information in order to determine a reasonably possible shift in assumptions. Actual movements in the risk variables may be greater than or less than anticipated due to a number of factors, including unusual market events. As a result, historical variations in sensitivity analysis may not be indicative of future variations in risk variables.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents, and deposits with banks and other financial institutions.

With respect to credit risk arising from the financial assets of the Fund, other than derivatives, the Fund's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these investments as disclosed in the balance sheet. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the end of the reporting period.

Counterparty credit limits and the list of authorised brokers are reviewed bi-annually or on an as needed basis by the Compliance Committee of the Responsible Entity.

The Fund may enter into netting arrangements with counterparties, where applicable.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

The Fund holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's credit position on a regular basis. This information and the compliance with the Fund's policy are reported to the relevant parties on a regular basis as deemed appropriate such as the compliance manager, other key management personnel, committees and ultimately the Board. Contracts are undertaken with counterparties included in the Board's Approved Counterparties list.

There were no significant concentrations of credit risk to counterparties of the Fund at 30 June 2024 (2023: Nil).

3 Financial risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Fund is a closed-end fund and the underlying investment is deemed illiquid. Under the Partnership Agreement and applicable securities laws, withdrawal of Fund interest are generally not permitted. Liquidity is managed using unfunded commitments from the investors.

4 Fair value measurement

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets/liabilities at fair value through profit or loss (FVTPL) (see Note 6)
- Derivative financial instruments

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(i) *Fair value in an active market (level 1)*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies set out in Note 2. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) *Fair value in an inactive or unquoted market (level 2 and level 3)*

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

4 Fair value measurement (continued)

(ii) *Fair value in an inactive or unquoted market (level 2 and level 3) (continued)*

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

Recognised fair value measurements

The table below sets out the Fund's financial assets and financial liabilities measured and recognised at fair value according to the fair value hierarchy at 30 June 2024 and 30 June 2023.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2024				
Financial assets at fair value through profit or loss				
Limited partnership	—	—	22,775	22,775
Total	<u>—</u>	<u>—</u>	<u>22,775</u>	<u>22,775</u>
30 June 2023				
Financial assets at fair value through profit or loss				
Limited partnership	—	—	26,622	26,622
Total	<u>—</u>	<u>—</u>	<u>26,622</u>	<u>26,622</u>

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Transfers between levels

There were no transfers between the levels of the fair value hierarchy during the year ended 30 June 2024 (2023: Nil).

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the movement in level 3 instruments for the year ended 30 June 2024 and 30 June 2023 by class of financial instrument.

	Limited partnership \$'000
30 June 2024	
Opening balance	26,622
Sales/Return of capital	(2,003)
Gains and (losses) recognised in profit or loss	<u>(1,844)</u>
Closing balance	<u>22,775</u>
Total unrealised gains or losses for the year included in the statement of comprehensive income for financial assets and liabilities held at the end of the year	<u>(1,844)</u>
30 June 2023	
Opening balance	28,323
Sales/Return of capital	(1,617)
Gains and (losses) recognised in profit or loss	<u>(84)</u>
Closing balance	<u>26,622</u>
Total unrealised gains or losses for the year included in the statement of comprehensive income for financial assets and liabilities held at the end of the year	<u>(84)</u>

5 Net losses on financial instruments at fair value through profit or loss

Net losses recognised in relation to financial assets and financial liabilities at fair value through profit or loss:

	Year ended	
	30 June 2024 \$'000	30 June 2023 \$'000
Net unrealised losses on financial instruments at fair value through profit or loss	(1,844)	(84)
Net realised losses on financial instruments at fair value through profit or loss	(8)	(8)
Total net losses on financial instruments at fair value through profit or loss	<u>(1,852)</u>	<u>(92)</u>

6 Financial assets at fair value through profit or loss

	As at	
	30 June 2024 Fair value \$'000	30 June 2023 Fair value \$'000
Financial assets at fair value through profit or loss		
Limited partnership	22,775	26,622
Total financial assets at fair value through profit or loss	<u>22,775</u>	<u>26,622</u>
Comprising:		
Limited partnership		
International limited partnership	22,775	26,622
Total limited partnership	22,775	26,622
Total financial assets at fair value through profit or loss	<u>22,775</u>	<u>26,622</u>

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in Note 3.

7 Structured entities

The table below describes the types of structured entities that the Fund does not consolidate but in which it holds as interest.

Type of structured entity	Nature and purpose	Interest held by the Fund
Limited partnership	To manage assets on behalf of investors. These vehicles are financed through capital contributions by investors and borrowings.	Interest in limited partnership

The Fund invests in a limited partnership for the purpose of capital appreciation and earning investment income.

The limited partnership is managed in accordance with the investment strategy by the investment manager, Invesco Private Capital, Inc., a member of the Invesco Group of Companies. The investment decisions are based on the analysis conducted by the investment manager. The return of the limited partnership is exposed to the variability of the performance of the investment strategies. The investment manager may receive a management and performance fee for undertaking the management of these investments, subject to carried interest/preferred return hurdle.

The exposure to investments in the unconsolidated structured entity is disclosed in Note 13.

The fair value of the investment in the limited partnership is included in financial assets at fair value through profit or loss in the balance sheet. The Fund's maximum exposure to loss from its interest in limited partnership is equal to the fair value of its investment in the limited partnership as there are no off-balance sheet exposures relating to any of the limited partnership. Once the Fund has disposed of its units in the limited partnership, it will cease to be exposed to any risk from that limited partnership.

During the year, the Fund did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support, except as required under its contractual obligations to do so.

8 Net assets attributable to unitholders

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions. Otherwise the financial instrument should be disclosed as a liability.

Movement in number of units and net assets attributable to unitholders during the year were as follows:

	As at			
	30 June 2024 No.'000	30 June 2023 No.'000	30 June 2024 \$'000	30 June 2023 \$'000
Opening balance	36,748	36,748	26,899	28,599
Distributions paid and payable	–	–	(5,324)	(3,599)
Profit for the year	–	–	1,478	1,899
Closing balance	36,748	36,748	23,053	26,899

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Capital risk management

The Fund manages its net assets attributable to the unitholders as capital. As a closed-end fund, the Fund is an illiquid investment. Invesco does not intend to offer any liquidity facility to investors. Investors will generally register transfers of units of any investor wishing to dispose of their units if the investor has identified an eligible buyer.

Withdrawal of capital

As the underlying investment is an illiquid investment, an investment in the feeder funds is also illiquid and transfers and redemptions of units are restricted.

9 Distributions to unitholders

The distributions during the year were as follows:

	Year ended			
	30 June 2024 \$'000	CPU	30 June 2023 \$'000	CPU
Distributions paid				
- July	1,573	4.2806	412	1.1222
- October	–	–	634	1.7258
- December	–	–	2,402	6.5357
- February	–	–	151	0.4108
- April	3,751	10.2081	–	–
	5,324		3,599	

10 Cash and cash equivalents

	As at	
	30 June 2024 \$'000	30 June 2023 \$'000
Domestic cash at bank	278	277
Total cash and cash equivalents	278	277

11 Reconciliation of operating profit to net cash inflow from operating activities

	Year ended	
	30 June 2024 \$'000	30 June 2023 \$'000
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit for the year	1,478	1,899
Net losses on financial instruments at fair value through profit or loss	1,852	92
Proceeds from sale/return of capital from financial instruments at fair value through profit or loss	1,995	1,617
Net cash inflow from operating activities	5,325	3,608

12 Remuneration of auditors

During the year, the following fees net of tax were paid or payable for services provided by the auditors of the Fund.

	Year ended	
	30 June 2024 \$	30 June 2023 \$
Audit Services		
<i>Auditors of the Fund</i>		
Audit and review of financial reports under the <i>Corporations Act 2001</i> - PwC	14,470	13,000
Audit of compliance plan and internal controls report - PwC	9,134	8,317
Total remuneration for auditors of the Fund	23,604	21,317

13 Related party transactions

Responsible Entity

The Responsible Entity of the Fund is Invesco Australia Limited (ABN 48 001 693 232) (the "Responsible Entity"). The registered office of the Responsible Entity and the Fund is Level 26, 333 Collins Street, Melbourne VIC 3000.

The immediate and ultimate holding companies of the Responsible Entity are Invesco Pacific Group Ltd. and Invesco Ltd. respectively.

Key management personnel

Key management personnel include persons who were directors of the Responsible Entity at any time during the financial year as follows:

Martin Franc (Chairman)
Jeremy Simpson
Andrew Lo
Alex (Hideki) Sato
Jason Roach
Jonathon Crook (Appointed as Director effective 1 September 2024)

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

Key management personnel services are provided by Invesco Australia Limited and are included in the Responsible Entity fees disclosed below. There is no separate charge for these services. There was no compensation paid directly by the Fund to any of the key management personnel.

13 Related party transactions (continued)

Responsible Entity's fees and other transactions

Under the terms of the Fund's Constitution, the Responsible Entity has not charged Responsible Entity's fees for this Fund.

Investments

The Fund held investments in the following fund which is also managed by the Responsible Entity or its related parties:

Fund Name	30 June 2024		30 June 2023	
	Financial Asset	Interest	Financial Asset	Interest
	fair Value	held	fair Value	held
	\$'000	%	\$'000	%
Invesco Credit Partners Fund - A, L.P.	22,775	20.51	26,622	20.51

Other transactions within the Fund

Apart from those details disclosed in this Note, no directors have entered into a material contract with the Fund during the financial year and there were no material contracts involving director's interests subsisting at year end.

14 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the balance sheet as at 30 June 2024 or on the results and cash flows of the Fund for the year ended on that date.

15 Contingent assets, liabilities and commitments


There are uncalled commitments of US\$2,169,801 as at 30 June 2024 (2023: US\$2,169,801).

Directors' Declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 5 to 21 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with 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 30 June 2024 and of its performance for the financial 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; and
- (c) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.


Director _____
Jonathon Crook

Melbourne

19 September 2024



Independent auditor's report

To the unitholders of Invesco Credit Opportunities Fund - Third Close

Our opinion

In our opinion:

The accompanying financial report of Invesco Credit Opportunities Fund - Third Close (the Fund) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Fund's financial position as at 30 June 2024 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the balance sheet as at 30 June 2024
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, including material accounting policy information and other explanatory information
- the directors' declaration.

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

Independence

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.

Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2024, 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 accordingly we do not express any form of assurance conclusion thereon through our opinion on the financial report.



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 on the other information that we obtained prior to the date of this auditor's report, 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.

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of the Responsible Entity are responsible for the preparation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*, including giving a true and fair view, and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity 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 of the Responsible Entity 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

A stylized, handwritten signature of PricewaterhouseCoopers.

PricewaterhouseCoopers

A handwritten signature of Adrian Gut.

Adrian Gut
Partner

Melbourne
19 September 2024