Australian Securities Property Fund

Annual Report 2020

[ARSN 153 029 264]

Australian Securities Property Fund

Annual Report 2020

AUSTRALIAN® SECURITIES

Contents

Directors Report

The Directors of Australian Securities Limited | the Responsible Entity | present their report together with the financial statements of the Australian Securities Property Fund | the Scheme | for the year ended 30 June and the auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of the Directors of the Responsible Entity in office during or since the end of the year are:

Executive Directors

Michael Clarebrough (CEO)

Directors have been in the office since the start of the year to the date of this report unless otherwise stated

Non-executive Directors

Peter Bolitho (Chair)
Judi Grant (Audit Chair)

Susan Allen (appointed 13 February 2020)
Andrew Post (appointed 13 February 2020/ resigned 24 July 2020)

Service providers

The service providers during or since the end of the financial year are:

- Responsible Entity & Custodian: Australian Securities Limited

Auditor: Pitcher Partners, Melbourne

Principal activities

The Scheme is a registered managed investment scheme domiciled in Australia.

The principal activity of the Scheme is to invest funds in accordance with the investment policy of the Scheme as outlined in the current Product Disclosure Statement | the PDS | of the Scheme, and in accordance with the provisions of the Constitution of the Scheme. The Constitution authorises investment in property.

There has been no significant change in the activities of the Scheme during the financial year.

The Scheme did not have any employees during the year.

Review of operations and financial results

The Scheme's net operating profit before distributions to members for the current year was $764,798 (2019: $4,884,432).

Distributions to members of the Scheme during the year totalled $2,083,784 (2019: $5,540,536), including $145,536 payable at year end (2019: $177,008).

During the period, sub-scheme 10 (Fiveways Boulevard, Keysborough) was created due to the purchase of a new property. The scheme was funded by members' contribution $6,140,233 and ASIF loan $2,325,000.

Total applications by members during the year totalled $6,140,233 (2019: $nil), with total withdrawals being $nil (2019: 4,980,550). At year end, total contributions in the Scheme totalled $39,870,868 (2019: $33,699,970), with members' funds of the at year end totalling $35,849,675 (2019: $30,997,763).

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Scheme during the financial year.

Scheme information

The Responsible Entity of the Scheme is Australian Securities Limited (ACN: 005 428 231) | ASL |, which also acts as manager and custodian of the Scheme.

ASL also acts as responsible entity, manager and custodian to Australian Securities Income Fund | ASIF | and Australian Securities Term Fund | ASTF |. ASL holds an Australian Financial Services Licence to enable it to be the responsible entity and custodian to the Scheme as well as ASIF and ASTF. ASL also holds an Australian Credit Licence to ban an authorised Credit Provider.

Transactions with related parties have taken place at arm's length and in the ordinary course of business.

Investment management fees of $397,828 (2019: $391,934), calculated in accordance with the PDS, were paid during the year or remain payable to ASL at the reporting date. Acquisition and contribution fees were paid during the year or remain payable at the reporting date to ASL $247,598 (2019: $nil), calculated in accordance with the PDS and in regards of additional contributions of members in the Scheme or loans established or increased with ASIF during the year. Acquisition and contribution fees paid by the Scheme are capitalised and recognised as an asset, as described in Note 1 of the financial statements.

Finance costs of $626,852 (2019: $598,064) on borrowings used to fund the acquisition of Scheme property investments were paid during the year or remain payable at the reporting date to related parties. The amount paid or payable to ASIF includes an amount totalling, $51,722 (2019: $35,181) was then paid or is payable to ASL for fees.

A number of Directors of the Responsible Entity, either directly, via the Responsible Entity or via related entities, and their associates have invested in the Scheme on terms and conditions no more favourable than those offered to any arm's length investor. At 30 June 2020 the total amount invested by individual Directors, their associates or related entities was $1,545,622 (2019: $1,245,622).

During the financial year, the Scheme had various non-recourse loans funded by ASIF sub-schemes. As at 30 June 2020, loans from ASIF to the Scheme totalled $11,561,000 (2019: $9,176,000).

During the financial year, the Scheme did have various other related party loans. As at 30 June 2020, loans from ASL to the Scheme totalled $nil (2019: nil).

The carrying value of the Scheme's total assets at year end was $48,198,757 (2019: $40,786,169) as disclosed in the Statement of Financial Position. The basis of valuation is included in Note 1 to the financial statements.

Future developments

The Scheme will continue to operate in accordance with its investment policy as detailed in the Scheme's PDS.

Due to the Coronavirus Pandemic (COVID-19) during the 2020 financial year, some tenants requested rent relief due to a downturn in turnover of their businesses. The Scheme has provided rent relief to tenants who qualify for relief. Members invested in those sub-schemes that were provided with rent relief have been notified. At this stage it is still unknown what further impact COVID-19 will have on the Scheme.

In the opinion of the Directors, aside from the unknown impact of the Coronavirus Pandemic there are no other likely developments that will influence the operations or the expected results of the Scheme. The Scheme will continue to actively monitor the impact of the Coronavirus Pandemic (COVID-19).

Environmental regulation

The Scheme's operations are not subject to any significant environmental regulations under Commonwealth, State or Territory Legislation.

Indemnification and insurance of officers and auditors

No indemnities have been given, or insurance premiums paid, for any person who is or has been an officer or auditor of the Scheme, during or since the end of the financial year.

The Directors of the Responsible Entity are covered against all liabilities to another person (other than the company, the Scheme or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith.

Subsequent events

Some tenants of properties held in the Scheme have qualified for rent relief under the Commercial Tenancy Relief Scheme, which was established due to the Coronavirus Pandemic (COVID-19). The Scheme has agreed to provide rent relief to tenants who qualify, which will result in a decline in rental income in Financial Year 2021. Members invested in the applicable sub-schemes have been notified. Any further impact caused by COVID-19 and subsequent government actions on the Scheme cannot be determined with certainty at this time.

Aside from the above, there has been no matter or circumstance, which has arisen since 30 June 2020 which has significantly affected or which may significantly affect the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

Rounding of amounts to the nearest dollar

In accordance with ASIC Corporations (Rounding in Financial/Director's report) Instrument 2016/191, the amounts in the Directors' Report and in the financial report have been rounded to the nearest dollar.

Auditor's independence declaration

An independence declaration has been received by the Directors and is attached to the Directors' Report.

The report is made in accordance with a resolution of the Directors.

On behalf of the Directors

Michael John Clarebrough (CEO)

Melbourne
24 September 2020

Peter Bolitho (Chair)

Melbourne
24 September 2020

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Notes	30 June 2020	30 June 2019
		$	$
Revenue and other income			
Rental income	4	3,080,850	3,462,750
Recovery of expenses	4	518,744	532,785
Other income	4	16,047	32,235
Profit on disposal of investment	23	-	3,907,716
Recovery of impairments	4, 6	(30,664)	14,492
Total revenue and other income		**3,584,977**	**7,949,978**
Expenses			
Management fees		(397,828)	(391,934)
Land tax & rates		(408,717)	(348,383)
Depreciation	11,12	(1,043,820)	(1,044,029)
Borrowing expenses		(626,852)	(598,064)
Insurance		(163,903)	(147,474)
Cleaning		(3,290)	(19,778)
General repairs		(31,188)	(10,348)
Electricity		(43,233)	(105,763)
Other expenses		(132,011)	(385,281)
Impairments	5	30,664	(14,492)
Total expenses		**(2,820,178)**	**(3,065,546)**
Profit attributable to members		**764,799**	**4,884,432**
Distribution of profits			
Profit attributable to members		764,799	4,884,432
Distributions to members	10	(2,083,784)	(5,540,536)
Other changes in net assets attributable to members		1,318,985	656,104
Net profit		**-**	**-**
Other comprehensive income		-	-
Total comprehensive income		**-**	**-**

The above statement should be read in conjunction with the accompanying notes

Statement of Financial Position

For the year ended 30 June 2020

	Notes	30 June 2020	30 June 2019
		$	$
Current assets			
Cash and cash equivalents	7	267,593	605,181
Receivables	8	483,747	135,622
Other assets	9	130,540	11,515
Total current assets		**881,880**	**752,318**
Non-current assets			
Other assets	9	984,692	1,158,067
Plant and equipment	11	1,831,342	1,844,601
Investment property	12	44,500,843	37,031,183
Total non-current assets		47,316,877	40,033,851
Total assets		**48,198,757**	**40,786,169**
Current liabilities			
Trade and other payables	13	(316,842)	(178,688)
Other liabilities	14	(325,704)	(256,710)
Borrowings	16	(3,846,000)	-
Distribution payable	10	(145,536)	(177,008)
Total current liabilities		**(4,634,082)**	**(612,406)**
Non-current liabilities			
Borrowings	16	(7,715,000)	(9,176,000)
Members' funds	15	(35,849,675)	(30,997,763)
Total non-current liabilities		**(43,564,675)**	**(40,173,763)**
Total liabilities		**(48,198,757)**	**(40,786,169)**
Net assets		**-**	**-**

The above statement should be read in conjunction with the accompanying notes

Statement of Changes in Members' Funds

For the year ended 30 June 2020

	Notes	Total members' funds
		$
Balance as at 1 July 2018		**36,648,909**
Applications		-
Withdrawals		(4,980,550)
Impairment reversal		56,187
Impairment		(70,679)
Other net assets attributable to members		(656,104)
Change in net assets attributable to members		**(5,651,146)**
Balance as at 30 June 2019	**15**	**30,997,763**
Balance as at 1 July 2019		**30,997,763**
Applications		6,140,233
Withdrawals		-
Impairment reversal		70,679
Impairment		(40,015)
Other net assets attributable to members		(1,318,985)
Change in net assets attributable to members		**4,851,912**
Balance as at 30 June 2020	**15**	**35,849,675**

Members' funds are classified as a financial liability.

The above statement should be read in conjunction with the accompanying notes

Statement of Cash Flows

For the year ended 30 June 2020

	Notes	30 June 2020	30 June 2019
		$	$
Cash flows from operating activities			
Rent received		2,927,779	3,286,040
Occupancy recoveries		447,036	735,181
Other income		16,047	32,235
Interest paid		(575,130)	(562,884)
Compliance fees paid		(51,722)	(35,181)
Management fees paid		(397,826)	(391,934)
Occupancy expenses paid		(644,193)	(1,075,745)
Net cash provided by operating activities	18 (b)	**1,721,991**	**1,987,712**
Cash flows from investing activities			
Investments in property		(8,183,111)	(42,922)
Proceeds from sale of property		-	10,300,000
Payment of sale costs		-	(291,653)
Investments in plant and equipment		(286,446)	(1,280)
Net cash (used in) / provided by investing activities		**(8,469,557)**	**9,694,145**
Cash flows from financing activities			
Applications received from members		6,140,233	(4,980,550)
Net proceeds from loans from related parties		2,385,000	(1,360,362)
Distribution paid		(2,115,255)	(5,517,715)
Net cash provided by / (used in) financing activities		**6,409,978**	**(11,858,627)**
Net increase / (decrease) in cash and cash equivalents		**(337,588)**	**93,230**
Cash and cash equivalents at the beginning of the year		605,181	511,951
Cash and cash equivalents at the end of the year	18 (a)	**267,593**	**605,181**

The above statement should be read in conjunction with the accompanying notes

Notes to the Financial Statements

For the year ended 30 June 2020

Note 1: Statement Of Significant Accounting Policies

The Australian Securities Property Fund | the Scheme | is a registered managed investment scheme domiciled in Australia. The Responsible Entity to the Scheme is Australian Securities Limited and its registered office and principal place of business is Level 29, 140 William Street, Melbourne, Victoria, 3000. The principal activity of the Scheme is disclosed in the Directors' Report.

The following is a summary of significant accounting policies adopted by the Scheme in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board | the AASB | and the Corporations Act 2001.

This financial report has been prepared for the Scheme as an individual entity. The Scheme is a for-profit scheme for the purpose of preparing the financial statements. The financial report represents an aggregation of the individual sub-schemes' assets and liabilities that make up the Scheme.

The financial report is presented in Australian dollars.

The Scheme's objective is to invest funds in accordance with its investment objectives and guidelines as set out in the Scheme's current Product Disclosure Statement | the PDS | and in accordance with the Constitution of the Scheme. The Constitution authorises investments in property.

The financial report was authorised for issue by the Directors of the Responsible Entity as at the date of the Directors' Report.

Compliance with International Financial Reporting Standards

The financial report of the Scheme complies with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

Coronavirus (COVID-19)

Since the declaration by the World Health Organisation on 11 March 2020, of COVID-19 as a pandemic, there has been a significant impact on local and world economies. This pandemic may have an impact on the financial position and may affect financial performance of the Scheme in the future.

(b) New and revised accounting standards effective at 30 June 2020

The Scheme has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2019, including AASB 16 Leases.

AASB 16 substantially carries forward the lessor accounting requirements of the predecessor standard, AASB 117. Accordingly, under AASB 16 a lessor continues to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and accounts for each type of lease in a manner consistent with the current approach under AASB 117. The application of AASB 16 did not have a material impact on the financial statements.

The Scheme has applied all other new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2019. None of the other new standards effective on or after 1 July 2019 had a material impact on the financial statements.

(c) Revenue and other income

The Scheme derives revenue from rental income and recovery revenue from rendering services to customers. Revenue is recognised as, or when, goods or services are transferred to the customer, and is measured at an amount that reflects the consideration to which the Scheme expects to be entitled in exchange for the goods or services.

Rental income

Rental income from operating leases is recognised on a straight line basis over the term of the lease. The lease term is the non-cancellable period of the lease, together with any further term for which the tenant has the option to continue the lease and where the Directors are reasonably certain that the tenant will exercise that option.

Refer to Note 22 for non-cancellable operating leases contracted for but not recognised in the financial statements.

Recoveries

Revenue from recoveries are recognised as revenue when the right to receive revenue has been established, in accordance with lease contracts.

All revenue is stated net of the amount of goods and service tax.

(d) Financial instruments

Financial assets and liabilities are recognised on the date the Scheme becomes party (for a specific sub scheme) to the contractual agreement, usually the settlement date. The carrying amounts of members' funds, borrowings, current receivables and current payables are considered to be a reasonable approximation of their fair value.

Financial assets

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss (FVtPL), in which case transaction costs are immediately recognised as expenses in profit or loss.

Financial assets are classified as subsequently measured at amortised cost when both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities

Financial liabilities include members' funds, trade payables, other creditors, loans from third parties and loans or other amounts due to Director related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation. Financial liabilities are classified as current liabilities unless the Scheme has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Trade and other receivables

Trade and other receivables arise from the Scheme's transactions with its customers and are normally settled within 30 days.

Consistent with both the Scheme's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

Impairment of assets

Trade receivables are tested for impairment by applying the 'expected credit loss' impairment model:

The Scheme has chosen to apply the simplified approach under AASB 9 Financial Instruments to measuring impairment provisions for trade and other receivables. Under the AASB 9 simplified approach, the Scheme determines the allowance for credit losses for receivables from contracts with customers and contract assets on the basis of the lifetime expected credit losses of the instrument. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the receivable.

For all other financial assets subject to impairment testing, when there has been a significant increase in credit risk since the initial recognition of the financial asset, the allowance for credit losses is recognised on the basis of the lifetime expected credit losses. When there has not been an increase in credit risk since initial recognition, the allowance for credit losses is recognised on the basis of 12-month expected credit losses.

'12-month expected credit losses' is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Scheme considers a range of information when assessing whether the credit risk has increased significantly since initial recognition. The Scheme recognises an impairment loss (or, in the case of the reversal of a previous impairment loss, a gain) in profit or loss for all financial assets with a corresponding adjustment to a loss allowance account. The Scheme directly reduces the gross carrying amount (writes off) of a financial asset, even when the financial asset is still subject to enforcement action, when the debtor is in severe financial difficulty and there is no realistic prospect of recovery, which would be evidenced by:

- the debtor being placed into liquidation or voluntarily entering into bankruptcy arrangements; or
- the financial asset is more than 60 days past a default event and the Scheme has received no satisfactory response from the debtor regarding the past due feature of the financial asset; or
- significant drop in value; or
- short fall of the value in the recoverable amount compared to the value of the security held.

At each reporting date, the Scheme reviews the carrying values of each loan and receivable to determine whether there is any indication that those assets have been impaired.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and at banks, short-term deposits held with an original maturity of three months or less. Cash is held at call with reputable banks or financial institutions which the Responsible Entity uses in its day to day management of the Scheme's cash requirements.

(f) Investment property

Investments in property comprises investment in land and buildings. These are recognised and derecognised on settlement date, when the related contractual rights or obligations exist, and recognised at cost including transaction costs such as stamp duty as well as acquisition costs and due diligence fees payable to the Responsible Entity. After initial recognition, land continues to be measured on a cost basis while buildings are carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of buildings is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income. A formal assessment of recoverable amount is made when impairment indicators are present.

Costs incurred subsequent to acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Scheme.

Depreciation

The depreciable amount of all buildings is depreciated on a straight line basis over the asset's useful life in accordance with Australian income tax law, commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable asset is:

Class of fixed asset	Depreciation rates	Depreciation basis
Buildings	2.5%	Straight line

(g) Leases

Each lease is classified as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Operating leases

Underlying assets subject to operating leases are presented in the statement of financial position according to the nature of the underlying asset.

Lease payments from operating leases are recognised as income on either a straight-line basis or another systematic basis (if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished).

Finance leases

At the commencement date of a finance lease, the group recognises a receivable (for assets held under the finance lease) at an amount equal to the net investment in the lease. The net investment in finance leases is the sum of the lease payments receivable by the group under the finance lease and the estimated unguaranteed residual value of the underlying asset at the end of the lease term, discounted at the interest rate implicit in the lease.

Finance income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment in finance leases.

(h) Plant and equipment

Each class of plant and equipment is carried at cost, less any accumulated depreciation and any accumulated impairment losses.

Plant and equipment are measured on a cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income. A formal assessment of recoverable amount is made when impairment indicators are present.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Scheme and the cost of the item can be measured reliably. All other repairs and maintenance are charged

to the Statement of Profit or Loss and Other Comprehensive Income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all plant and equipment is depreciated on a diminishing value basis over the asset's useful life in accordance with Australian income tax law, commencing from the time the asset is held ready for use. Leasehold improvements, if any, are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The depreciation rates used for each class of depreciable asset is:

Class of fixed asset	Depreciation rates	Depreciation basis
Plant and equipment	5%- 66.67%	Diminishing value

(i) Provisions

Provisions are recognised when the Scheme has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits need to be recovered from a third party to settle a provision, the receivable is recognised as an asset if recovery is likely to be received and the amount can be measured reliably.

(j) Impairment of non-financial assets

The Scheme assesses impairment over all non-financial assets at the end of each reporting period by evaluating conditions and events specific to the Scheme that may be indicative of impairment triggers. Assessment of impairment includes valuations performed by qualified valuers of each property held at the reporting date.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(k) Distributions and taxation

Under current income tax legislation the Scheme is not liable to pay income tax, as the net income of the Scheme is assessable in the hands of the beneficiaries (the members) who are 'presently entitled' to the income of the Scheme. The Scheme's Constitution provides that the Responsible Entity may determine an amount to be distributed during a distribution period, or if not determined then the Scheme is required to make a distribution of the full net amount of the net income of the Scheme to the members each period.

(l) Goods and services tax | GST |

Revenue, expenses and assets are recognised net of the amount of GST recoverable from or payable to the Australian Taxation Office | ATO |. Any non-recoverable GST is recognised as part of the revenue, expense or asset. Trade and other receivables and payables are stated inclusive of GST. The net amount of GST recoverable from or payable to the taxation authority is included in the Statement of Financial Position as a receivable or payable.

(m) Comparative information

Where necessary comparative information has been reclassified and repositioned for consistency with current year disclosures.

(n) Rounding of amounts to nearest dollars

In accordance with ASIC Corporations

(Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report and in the financial report have been rounded to the nearest dollar.

(o) Functional and presentation currency

The Scheme's financial statements are measured and presented in Australian dollars, being the currency of the primary economic environment in which the Scheme operates.

(p) Accounting standards issued but not yet effective at 30 June 2020

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Scheme. The Scheme has decided not to early adopt any of these new and amended pronouncements.

The Scheme has assessed that none of these standards will have a material impact on the Scheme's financial statements in the period of initial application.

The Scheme's assessment of the new and amended pronouncements that are relevant to the Scheme but applicable in future reporting periods is set out below.

AASB 2018-7: Amendments to Australian Accounting Standards- Definition of Material

AASB 2018-7 principally amends AASB 101: Presentation of Financial Statements and AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material.

AASB 2018-7 mandatorily applies to annual reporting periods commencing on or after 1 January 2020 and will be first applied by the Scheme in the financial year commencing 1 July 2020.

This accounting standard is not expected to have a material impact on the financial statements of the Scheme.

Note 2: Significant Accounting Estimates and Judgements

The preparation of the financial report requires the use of certain estimates and judgements in applying the Scheme's accounting policies. Those estimates and judgements significant to the financial report are disclosed for financial assets in Note 1(d).

Impairment of non-financial assets

All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the Scheme. Impairment indicators include declining performance or changes in expectations of future performance. If an indicator of impairment exists the recoverable amount of the asset is determined based on value in use calculations.

Note 3: Segment Information

The Scheme operates in the property market providing investors the opportunity to invest in one or more sub-schemes which invest in a specific property, predominantly in Victoria, but also one property in New South Wales, Australia, and have their interest as beneficial owner to reflect the proportion of their contribution as tenants in common with other owners (members). Investors have recognised ownership benefits unique to this Scheme identified in the Scheme's PDS and information relevant to the specific sub-scheme identified in the Property Description Certificate for the sub-scheme.

	30 June 2020	30 June 2019
	$	**$**

Note 4: Revenue and Other Income

	30 June 2020 $	30 June 2019 $
Rental income	3,080,850	3,462,750
Recovery of expenses	518,744	532,785
Other income	16,047	32,235
Profit on disposal of investments	-	3,907,716
Recovery of impairment	(30,664)	14,492
	3,584,977	**7,949,978**

Note 5: Impairments

	30 June 2020 $	30 June 2019 $
Provision for:		
Principal loss reversed	(70,679)	(56,187)
Principal loss incurred	40,015	70,679
	(30,664)	**14,492**

Note 6: Recovery of Impairments

	30 June 2020 $	30 June 2019 $
Allowance for recovery of:		
Principal loss reversed	(70,679)	(56,187)
Principal loss recovered from investors	40,015	70,679
	(30,664)	**14,492**

	30 June 2020	30 June 2019
	$	$

Note 7: Cash and Cash Equivalents

Cash at bank	267,250	512,200
Investment in Australian Securities Term Fund	343	92,981
	267,593	**605,181**

Note 8: Receivables

Trade debtors	483,747	135,622
	483,747	**135,622**

Note 9: Other Assets

Current		
Prepayments	130,540	11,515
Non-current		
Future rent asset	984,692	1,158,067
	1,115,232	**1,169,582**

Note 10: Distribution to Members

Distribution paid during the period	1,938,248	5,363,528
Distribution payable at the end of the period	145,536	177,008
	2,083,784	**5,540,536**

Note 11: Plant and Equipment

Plant and equipment at cost	3,128,956	2,842,510
Accumulated depreciation	(1,297,614)	(997,909)
	1,831,342	**1,844,601**
Movement		
Balance as at start of period	1,844,601	2,351,896
Additions	286,446	42,992
Disposals	-	(210,988)
Depreciation	(299,705)	(339,229)
Balance as at end of period	**1,831,342**	**1,844,601**

Note 12: Investment Property

	30 June 2020 $	30 June 2019 $
Non-current		
Land and building at cost	47,637,526	39,454,415
	47,637,526	39,454,415
Accumulated depreciation	(3,096,668)	(2,352,553)
Total land and building at cost	44,540,858	37,101,862
Impairment	(40,015)	(70,679)
Total investment property	44,500,843	37,031,183
Movement		
Balance as at start of period	37,031,183	43,638,838
Additions	7,492,557	1,280
Disposals	-	(5,889,643)
Capitalised cost	690,554	-
Depreciation	(744,115)	(704,800)
Impairment	30,664	(14,492)
Balance as at end of period	44,500,843	37,031,183
Fair value of investment property	**56,721,000**	**48,302,000**

Investments in property comprises investment in land and buildings. These are recognised and derecognised on settlement date, when the related contractual rights or obligations exist, and recognised at cost including transaction costs such as stamp duty as well as acquisition costs and due diligence fees payable to the Responsible Entity.

The fair value of investment property has been obtained by the preparation of annual valuations by independent property valuers, on or around the balance sheet date, and reflects the price that would be expected to be received should the assets be sold at the balance sheet date.

When estimating the fair value of an asset, valuation techniques are used that are appropriate in the circumstances, and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1: inputs are quoted prices in active markets for identical assets
- Level 2: inputs are those other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3: inputs are unobservable inputs for the asset

The fair value of investment property would be categorised as Level 2.

	30 June 2020	30 June 2019
	$	**$**

Note 13: Trade and Other Payables

Trade creditors	91,177	2,098
Sundry creditors	9,090	-
Accrued expenses	134,537	113,276
Net GST payable/(receivable)	81,439	62,535
Withholding tax payable to ATO	599	779
	316,842	**178,688**

Note 14: Other Liabilities

Rent received in advance	230,907	208,372
Outgoings received in advance	94,797	48,338
	325,704	**256,710**

Note 15: Members' Funds

Non-current		
Members' funds	35,819,011	31,012,255
	35,819,011	31,012,255
Recovery of impairment / (provision for impairment)	30,664	(14,492)
	35,849,675	**30,997,763**

All properties held by each sub-scheme are valued at the end of each financial year and assessed for impairment. The impairment above, and as disclosed in Notes 5, 6 and 12 does not relate to a decrease in the value of any of the underlying property investments. The impairment relates to a proportion of acquisition costs, such as stamp duty and other initial costs as approved by the member to acquire a new property, which are capitalised within the value of the asset at purchase and then written off if an impairment is assessed when considering the valuation at balance sheet date

	30 June 2020	30 June 2019
	$	$

Note 16: Borrowings

Loan from Australian Securities Income Fund:		
Current	3,846,000	-
Non-current	7,715,000	9,176,000
	11,561,000	9,176,000

Note 17: Interest in Sub-Schemes

No. of sub-schemes at start of the period	7	8
No. of sub-schemes invested during the period	1	-
No. of sub-schemes disposed during the period	-	(1)
Total no. of sub-schemes at end of the period	8	7

Note 18: Notes to the Statement of Cash Flows

(a) Reconciliation of cash

Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash at bank	267,250	512,200
Investment in Australian Securities Term Fund	343	92,981
	267,593	605,181

(b) Reconciliation of net cash used in operating activities to net operating profit

Net operating profit	764,799	4,884,432
Add back non-cash movements:		
Depreciation	1,043,820	1,044,029
Straight lining of rent	173,375	(116,573)
Profit on disposal of investment property	-	(3,907,716)
Changes in assets and liabilities during the financial year:		
Increase / (decrease) in payables	207,146	(46,883)
(Increase) / decrease in receivables and other assets	(467,149)	130,423
Net cash provided by operating activities	1,721,991	1,987,712

Note 19: Financial Risk Management

The Directors of the Responsible Entity have the overall responsibility for identifying and managing operational and financial risks.

The Scheme's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Scheme.

The Scheme uses different methods to measure different types of risks to which it is exposed. These methods include a sensitivity analysis in the case of interest rates and other price risks, ageing analysis for credit risk and access to reputable property valuers and property market analysis in respect of recovery risk.

The Scheme holds the following financial instruments:

	Notes	30 June 2020	30 June 2019
		$	$
Financial assets			
Cash and cash equivalents	7	267,593	605,181
Receivables	8	483,747	135,622
Future rent asset	9	984,692	1,158,067
		1,736,032	1,898,870
Financial liabilities			
Trade and other payables	13	316,842	178,688
Borrowings	16	11,561,000	9,176,000
Members' Funds	15	35,849,675	30,997,763
		47,727,517	40,352,451

The Scheme is exposed to a variety of financial risks comprising:

(a) Liquidity risk
(b) Credit risk
(c) Market price risk
(d) Interest rate risk

(a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities and arises when the Scheme is unable to meet its financial obligations as they fall due. The Scheme operates under a fair payments policy of settling normal operating financial obligations within 30 days.

In regard to the Scheme's risk exposure to default, the ultimate risk of default is borne by the members in the individual sub-scheme. The net deficiency in financial assets is managed by restrictions on owners withdrawing their contributions from an existing sub-scheme as disclosed in the PDS.

The Scheme's overall exposure to liquidity risk is deemed insignificant based on current assessment of risk.

Maximum exposure to liquidity risk is the carrying amounts of financial liabilities and equity.

Maturity analysis

The table below represents the undiscounted contractual settlement terms for financial instruments and managements expectation for settlement of undiscounted maturities.

Year ended 30 June 2020	**< 6 Months**	**6-12 Months**	**1-5 years**	**Total contractual cash flows**	**Carrying amount**
	$	**$**	**$**	**$**	**$**
Cash and cash equivalents	267,593	-	-	267,593	267,593
Receivables	483,747	-	-	483,747	483,747
Future rent asset	-	-	984,692	984,692	984,692
Trade and other payables	(316,842)	-	-	(316,842)	(316,842)
Borrowings	(2,466,000)	(1,380,000)	(7,715,000)	(11,561,000)	(11,561,000)
Members' Funds	-	-	(35,849,675)	(35,849,675)	(35,849,675)
Net maturities	**(2,031,502)**	**(1,380,000)**	**(42,579,983)**	**(45,991,485)**	**(45,991,485)**

Year ended 30 June 2019	**< 6 Months**	**6-12 Months**	**1-5 years**	**Total contractual cash flows**	**Carrying amount**
	$	**$**	**$**	**$**	**$**
Cash and cash equivalents	605,181	-	-	605,181	605,181
Receivables	135,622	-	-	135,622	135,622
Future rent asset	-	-	1,158,067	1,158,067	1,158,067
Trade and other payables	(178,688)	-	-	(178,688)	(178,688)
Borrowings	-	-	(9,176,000)	(9,176,000)	(9,176,000)
Members' Funds	-	-	(30,997,763)	(30,997,763)	(30,997,763)
Net maturities	**(562,115)**	**-**	**(39,015,696)**	**(38,453,581)**	**(38,453,581)**

(b) Credit risk

Exposure to credit risks relating to financial assets arises from the potential non-performance of counterparties which could lead to a financial loss to the Scheme, for example tenants failing to pay rent. The Scheme's objective in managing credit risk is to minimise the credit losses incurred mainly on trade, tenancies and other receivables.

Credit risk is managed by the Scheme through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. To this end, the financial stability of members, tenants and counterparties is monitored and assessed on a regular basis.

The Scheme's maximum credit risk exposure at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

Trade receivables that are neither past due nor impaired are considered to be of high credit quality. The Scheme does not have any material credit risk exposure to any single counterparty or group of counterparties under financial instruments entered into by the Scheme.

(c) Market price risk

The Scheme's exposure to market price risk arises from its operations in the property market. Market price risk is the risk that the whole property market declines in line with various trends in the Australian or overseas markets due to internal factors such as the oversupply of real estate, or external factors such as general economic conditions.

Property consultants and valuers research and analyse the factors effecting market price risk to try to limit the market price risk and optimise the time at which a property is sold.

The Scheme is also exposed to market price risk in relation to property price, including the risk that values of property assets will be affected by the supply and demand of property, insurance (and any exclusions such as terrorism), competing properties, rental levels, tenant default, property outgoings, economic cycles, business confidence, government and central bank policies and general market conditions.

There is a risk that the specific property selected by the member will not perform as well as others. In addition, property assets are generally less liquid than other forms of investment, and as such there is a risk that it may take longer for a property investment to be realised through sale.

Valuation risk is another form of market price risk that the Scheme is exposed to. This is the risk that a sub-scheme's property has been overvalued. A valuer approved by the Responsible Entity shall have 5 years minimum experience to value the specific security, is a member of the Property Institute (or equivalent), and has professional indemnity insurance.

Valuers are required to comply with the Property Institute Valuation Standards and specific guidelines from the Responsible Entity relating to valuation and independence. A valuation will generally be based on comparative sales and summation and will value the land separately from improvements and also provide insurance replacement value and rental value.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of fluctuation in market interest rates. The Scheme has exposure to interest rate risk due to tangible assets held in sub-schemes which have borrowed to finance the acquisition of property investments, or to upgrade and maintain property investments, where required.

The Scheme's Constitution limits debt funding to 60% of the total value of the sub-scheme.

Interest rate risk on financial asset and liabilities is assessed as minimal.

The Scheme's exposure to interest rate risks in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and liabilities at the reporting date are as follows:

Financial instruments	Interest bearing	Non interest bearing	Total carrying amount	Weighted average effective interest rate	Fixed / variable rate
	$	$	$	%	
30 June 2020					
(i) Financial assets					
Cash and cash equivalents	343	267,250	267,593	2.75	Variable
Receivables	-	483,747	483,747		
Future rent asset	-	984,692	984,692		
Total financial assets	343	1,735,689	1,736,032		
(ii) Financial liabilities					
Payables	-	(316,842)	(316,842)		
Members' funds	-	(35,849,675)	(35,849,675)		
Loan from Australian Securities Income Fund	(11,561,000)	-	(11,561,000)	5.45	Fixed
Total financial liabilities	(11,561,000)	(36,166,517)	(47,727,517)		
Net financial assets	(11,560,657)	(34,430,828)	(45,991,485)		

Financial instruments	Interest bearing	Non interest bearing	Total carrying amount	Weighted average effective interest rate	Fixed / variable rate
	$	$	$	%	
30 June 2019					
(i) Financial assets					
Cash and cash equivalents	92,981	512,200	605,181	3.06	Variable
Receivables	-	135,622	135,622		
Future rent asset	-	1,158,067	1,158,067		
Total financial assets	92,981	1,805,889	1,898,870		
(ii) Financial liabilities					
Payables	-	(178,688)	(178,688)		
Members' funds	-	(30,997,763)	(30,997,763)		
Loan from Australian Securities Income Fund	(9,176,000)	-	(9,176,000)	5.59	Fixed
Total financial liabilities	(9,176,000)	(31,176,451)	(40,352,451)		
Net financial assets	(9,083,019)	(29,370,562)	(38,453,581)		

Sensitivity

The Scheme has an investment in a cash fund which provides a variable return. Were interest rates to increase / decrease by 100 basis points then the impact on profit and equity for the year for this investment is $930 / ($930). Interest rates on other financial assets and liabilities held by the Scheme are fixed, and so there would not be an impact on the profit or equity for the year were interest rates to increase/decrease.

Note 20: Auditor's Remuneration

Amounts paid and payable to Pitcher Partners, Melbourne for:

	30 June 2020	30 June 2019
	$	$
Audit and other assurance services		
Audit or review of financial report	19,000	19,000
Audit of compliance plan	1,833	1,833
	20,833	20,833
Other non-audit services		
Taxation services	26,250	18,000
	26,250	18,000
Total remuneration of Pitcher Partners, Melbourne	47,083	38,833

Costs associated with auditing the Scheme's financial statements were paid by the Responsible Entity for the year ended 30 June 2020 and 30 June 2019. The above audit and related services are for the entire Scheme.

Note 21: Related Parties

The Responsible Entity of the Scheme is Australian Securities Limited (ACN: 005 428 231) | ASL |, which also acts as manager and custodian of the Scheme.

ASL also acts as responsible entity, manager and custodian to Australian Securities Income Fund | ASIF | and Australian Securities Term Fund | ASTF |. ASL holds an Australian Financial Services Licence to enable it to be the responsible entity and custodian to the Scheme as well as ASIF and ASTF. ASL also holds an Australian Credit Licence to be an authorised Credit Provider.

Transactions with related parties have taken place at arm's length and in the ordinary course of business.

Investment management fees of $397,828 (2019: $391,934), calculated in accordance with the PDS, were paid during the year or remain payable to ASL at the reporting date. Acquisition and contribution fees were paid during the year or remain payable at the reporting date to ASL of $247,598 (2019: $nil), calculated in accordance with the PDS and in regards of additional contributions of members in the Scheme or loans established or increased with ASIF during the year. Acquisition and contribution fees paid by the Scheme are capitalised and recognised as an asset, as described in Note 1 of the financial statements.

Finance costs of $626,852 (2019: $598,064) on borrowings used to fund the acquisition of Scheme property investments were paid during the year or remain payable at the reporting date to related parties. The amount paid or payable to ASIF includes an amount totalling, $51,722 (2019: $35,181) was then paid or is payable to ASL for fees.

A number of Directors of the Responsible Entity, either directly, via the Responsible Entity or via related entities, and their associates have invested in the Scheme on terms and conditions no more favourable than those offered to any arm's length investor. At 30 June 2020 the total amount invested by individual Directors, their associates or related entities was $1,545,622 (2019: $1,245,622).

During the financial year, the Scheme had various interest bearing non-recourse loans funded by ASIF sub-schemes. As at 30 June 2020, loans from ASIF to the Scheme totalled $11,561,000 (2019: $9,176,000).

During the financial year, the Scheme had various related party loans. As at 30 June 2020, loans from ASL to the Scheme totalled $nil (2019: $nil).

Compensation of key management personnel of the Responsible Entity

Key management personnel of the Responsible Entity for the financial year, unless otherwise stated, were:

Non-executive Directors

Peter Bolitho (Chair)

Judi Grant (Audit Chair)

Susan Allen (appointed 13 February 2020)

Andrew Post (appointed 13 February 2020/ resigned 24 July 2020)

Executive Directors

Michael Clarebrough (CEO)

Management Team

Natalie Bode (Operations / Alternate CEO)

Steven Cain (Portfolio Manager- ASPF)

Maryanne Hanlon (Senior Investment Manager)

David Sell (Financial Controller – resigned February 2020

Melanie Mirabella (Acting Financial Controller – April 2020)

Nicole Wain (Financial Controller – appointed July 2020)

Remuneration of Directors is paid directly by the Responsible Entity. The Directors are not provided with any remuneration by the Scheme itself. Directors are not entitled to any equity interests in the Scheme, or any rights to or options for equity interests in the Scheme, as a result of the remuneration provided by the Responsible Entity.

The Directors of the Responsible Entity do not consider there is any direct correlation between the level of remuneration provided to Directors of the Responsible Entity and the management fees paid by the Scheme to the Responsible Entity in accordance with the Scheme's Constitution and PDS.

Note 22: Leasing Activities

The Scheme has entered into a number of leasing arrangements with tenants that occupy properties within the Scheme's sub-schemes. The tenancies include commercial, retail and industrial leases.

Operating lease arrangements (30 June 2020)

The following information relates to operating lease arrangements of the current reporting period only, and is presented in accordance with AASB 16 Leases (which was applied by the Scheme for the first time in the current reporting period).

Non-cancellable operating leases contracted for but not recognised in the financial statements:

	30 June 2020
	$
The undiscounted contractual lease payments to be received by the group in relation to operating leases are as follows:	
Within 1 year	3,287,211
1-2 years	3,259,961
2-3 years	3,210,696
3-4 years	2,694,240
4-5 years	1,645,467
Greater than 5 years	943,515
Total undiscounted contractual lease payments to be received	15,041,090

Items of property, plant and equipment and investment properties subject to an operating lease are included in the carrying amount of property, plant and equipment and investment properties in the statement of financial position. Refer to Note 11 and Note 12 for further information about items of property, plant and equipment and investment properties subject to operating leases.

Operating lease arrangements (30 June 2019)

The following information relates to operating lease arrangements of the prior reporting period only, and is presented in accordance with the predecessor accounting standard AASB 117 Leases.

	30 June 2020
	$
The undiscounted contractual lease payments to be received by the group in relation to operating leases are as follows:	
Not later than one year	2,852,038
Later than one year and not later than five years	10,423,807
Later than five years	2,584,945
Total undiscounted contractual lease payments to be received	15,860,790

Note 23: Profit on Disposal of Investment

	30 June 2020	30 June 2019
	$	$
Profit on disposal of investment	-	3,907,716
	-	3,907,716

Note 24: Subsequent Events

Some tenants of properties held in the Scheme have qualified for rent relief under the Commercial Tenancy Relief Scheme, which was established due to the Coronavirus Pandemic (COVID-19). The Scheme has agreed to provide rent relief to tenants who qualify, which will result in a decline in rental income in Financial Year 2021. Members invested in the applicable sub-schemes have been notified. Any further impact caused by COVID-19 and subsequent government actions on the Scheme cannot be determined with certainty at this time.

Aside from the above, there has been no matter or circumstance, which has arisen since 30 June 2020 which has significantly affected or which may significantly affect the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

Note 25: Commitments and Contingencies

There are no material commitments or contingent liabilities as at 30 June 2020.

Note 26: Responsible Entity Details

The registered office and principal place of business of the Responsible Entity is:

Level 29, 140 William Street
MELBOURNE, VIC, 3000

Declaration of the Directors of the Responsible Entity

In the opinion of the Directors of Australian Securities Limited, the Responsible Entity of Australian Securities Property Fund:

1. The financial statements and notes as set out on pages 5 to 27 are in accordance with the *Corporations Act 2001* and:

    (a) Comply with Accounting Standards in Australia and the *Corporations Regulations 2001*;

    (b) As stated in Note 1(a) the financial statements also comply with International Financial Reporting Standards; and

    (c) Give a true and fair view of the financial position of the Scheme as at 30 June 2020 and of its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe the Scheme will be able to pay its debts as and when they become due and payable.

This Declaration has been made in accordance with a Resolution of the Directors of the Responsible Entity, Australian Securities Limited.

Michael John Clarebrough (CEO)

Melbourne
24 September 2020

Peter Bolitho (Chair)

Melbourne
24 September 2020

Independent Auditor's Report to the Directors of the Responsible Entity of Australian Securities Property Fund

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australian Securities Property Fund, "the Scheme", which comprises the Statement of Financial Position as at 30 June 2020, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Members' Funds and 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 Australian Securities Property Fund, is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the Scheme's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(b) 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 Scheme in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants "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 the Scheme, would be in the same terms if given to the directors of the Responsible Entity 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 of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Scheme's directors' report for the year ended 30 June 2020, 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.

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.

Responsibilities of the Directors of the Responsible Entity for the Financial Report

The directors of the Responsible Entity of the Scheme 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 of the Responsible Entity are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Scheme 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 Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Responsible Entity.
- 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 Scheme'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 Scheme 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 of the Responsible Entity 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.

We also provide the directors of the Responsible Entity with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

N Bull
Pitcher Partners
Partner
Melbourne
24 September 2020

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

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