

RAM Australia Medical Property Fund

ABN 38850910434

Annual Report - 30 June 2020

RAM Australia Medical Property Fund
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30 June 2020

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RAM Australia Medical Property Fund
Directors' report
30 June 2020

The Directors of RAM Medical Property Fund Nominees Pty Ltd ("RAM"), the Trustee of RAM Australia Medical Property Fund ("the Fund"), present their report together with the Financial Report made in accordance with a resolution of the Directors with respect to the results of the Trust and its controlled entities ("the consolidated entity") for the period ended 30 June 2020, the state of the consolidated entity's affairs as at 30 June 2020 and the Independent Auditor's Report thereon.

The Fund commenced on 28 August 2018 and RAM was appointed Trustee on 2 January 2020. Prior to this Real Asset Management Pty Ltd was the Trustee of the Fund since establishment.

Directors

The Directors of the Trustee of the Fund at any time during or since the end of the financial period ("the Directors") are:

Scott Wehl

Chairman

Scott has over 20 years of experience in Global Wealth Management and Corporate Banking working for top tier global banks in Australia, London, and Hong Kong.

Prior to founding Real Asset Management, Scott was a Managing Director and Head of Banking Products International for UBS Wealth Management ("UBS WM"), leading a team of finance professionals in 17 countries. Over a 13-year career with UBS WM, Scott held various roles including the Head of Banking Products in the United Kingdom, and Head of Banking Products Asia Pacific.

Prior to joining UBS WM, Scott began his finance career in corporate banking with National Australia Bank in Brisbane, Australia.

Scott holds a Bachelor of Commerce from Griffith University Australia, and an Executive MBA jointly from Kellogg Business School and the Hong Kong University of Science and Technology.

Scott Kelly

Managing Director, CEO Australia

Scott has over 25 years of experience in Global Wealth Management and Asset Management, working for top tier financial institutions in Australia and the United Kingdom.

Prior to joining Real Asset Management, Scott was a Managing Director and Head of Investment Products and Services for UBS Wealth Management Australia. There he oversaw the entire product offering for Australia's premier wealth manager with \$A24bn of assets under management.

Scott has also held the position of National Sales Director for Macquarie Private Wealth Australia. Prior to this Scott co-founded and was Managing Director of Corazon Capital, a specialist wealth and asset management business based in Jersey. Scott was also the Joint Head of Private Clients at Kleinwort Benson, after starting his financial career with Mercury Asset Management in London.

Scott holds a B.A. (Hons) degree in Business Management from the University of Leeds and is a Chartered Member of the Chartered Institute of Securities & Investment, UK.

Suzanne Hutchinson

Director

Suzanne is the Financial Officer for Real Asset Management Australia and is based in Melbourne. Suzanne has worked in professional corporate services organisations for over 24 years, including Boeing and Accenture, and holds a Bachelor of Information Technology.

Enzo Pirillo (retired 2 January 2020)

Director

Enzo has over 17 years of experience in Wealth Management, Stockbroking and Corporate Finance. Over this year, Enzo has held a number of senior management positions in Australian financial services companies serving High Net Worth clients.

Enzo is a member of CPA Australia, a fellow of the Financial Services Institute of Australia and an associate member of the Financial Planning Association of Australia.

Enzo holds a Bachelor of Commerce from the University of Newcastle and a Graduate Diploma of Applied Finance & Investment. He is also a Certified Practising Accountant (CPA), a registered SMSF Auditor and a registered Tax Agent.

Principal activities

The principal activity of the consolidated entity is the investment in Medical Real Estate assets in Australia.

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

RAM Australia Medical Property Fund
Directors' report
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Impact of COVID-19

The events relating to COVID-19 have had an adverse impact on the financial performance of the Fund. These impacts have included:

- trading restrictions imposed on some of our tenants
- the National Cabinet Mandatory Code of Conduct enacted in each state
- increases in operational expenses related to the COVID-19 pandemic
- reductions in the fair value of our investment properties

The National Cabinet Mandatory Code of Conduct requires the Fund to offer eligible tenants a proportionate reduction in rent payable during the COVID-19 pandemic period. These reductions take the form of rental waivers and deferrals of up to 100% of the amount of rent ordinarily payable.

The reductions are based on the tenant's trade during the period. Rental waivers must constitute no less than 50% of the total reduction in rent payable with the other 50% in the form of rental deferrals. A total of \$83,284 in rental abatements have been made available to tenants by the Fund with \$79,545 in rental deferrals being offered during the year.

The Code also provides that Landlords where appropriate waive recovery of any other expense by a tenant while the tenant is unable to trade. A total of \$11,875 has been waived from tenant's recurring service charges.

For tenants that are not covered by the Mandatory Code of Conduct, the Fund has accessed the tenants on an individual basis.

Due to the continued uncertainty related to the COVID-19 pandemic, rental income that has been invoiced in the period which remains unpaid due the tenant being granted a COVID-19 rental payment deferral have been provisioned against. A Provision for Doubtful Debt has been raised against all rental payment deferrals in FY20 totaling \$79,545.

Property portfolio

The investment portfolio as at 30 June 2020 consisted of 2 medical properties (30 June 2019: 1 medical property) valued at \$19,921,918 (30 June 2019: \$12,288,175).

Acquisitions

The Fund acquired 100% interest in the Corrimal Private Health Care Centre, located in Corrimal, a northern suburb of Wollongong. The building comprises of five medical tenancies with a purchase price of \$5,500,000.

Disposals

No property disposals occurred during the year.

Review of operations

The profit for the consolidated entity amounted to \$1,640,871 (30 June 2019: \$318,749).

Distributions paid or declared by the consolidated entity to Unitholders during the financial period are set out in Note 11 of the Financial Statements.

	FY20	FY19
Net profit after tax	\$1,640,871	\$318,749
Weighted earnings per unit	\$0.2263	\$0.0594
Distributions paid or payable	\$393,954	\$250,446
Net assets per unit	\$1.1460	\$1.0112
Increase / (decrease) unit price	13.33%	N/A

RAM Australia Medical Property Fund
Directors' report
30 June 2020

Contributed Equity

	FY20 Units	FY19 Units
Opening balance	6,061,001	-
New units issued	2,445,327	6,061,001
Dividend reinvestments	8,337	-
Unit redemptions	-	-
	<u>8,514,665</u>	<u>6,061,001</u>

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial period.

Matters subsequent to the end of the financial period

At the date of these Financial Statements are authorised for issue, no further adjustments in respect to the impact of COVID-19 have been made. The full consequences on the Fund's future financial performance and the value of the Fund's investment properties continues to be uncertain until such time as the effects of the pandemic has been negated.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The Trustee will continue to pursue medical real estate opportunities and review investment management strategies with a view to optimising both the income and capital return over the investment term.

Environmental regulation

The consolidated entity's operations are subject to various environmental regulations under both Commonwealth and State legislation. The Trustee believes that the consolidated entity has adequate systems in place for the management of its environmental responsibilities and is not aware of any breach of environmental requirements as they may apply to the consolidated entity.

Related parties

Trustee Entity's remuneration

The Trustee charged a trustee fee of 1.00% p.a. (net 0.65% after the reduction of asset management fees), of the gross assets of the consolidated entity calculated monthly. The Trustee is entitled to recover all fees deferred either from consolidated entity earnings or on the winding up of the consolidated entity. The Trustee charges are set out in Note 15 of the Financial Report.

Asset management fees

RAM Australia Property Services Pty Ltd has been appointed as the Asset Manager for the controlled entities. The fee for their services is 0.35% p.a. of the gross assets of the entity. This fee is included within the Trustee's Management Fee.

Directors' interests

No directors of the Trustee held any units in the Trust at the date of this report.

Indemnity and insurance of officers

Indemnification

Under the Trust's Constitution, the Trustees, including its officers and employees, are indemnified out of the consolidated entity's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the consolidated entity.

The consolidated entity has not indemnified or made a relevant agreement for indemnifying against a liability in respect of any person who is the auditor of the consolidated entity.

Indemnity and insurance of auditor

The consolidated entity has not indemnified or made a relevant agreement for indemnifying against a liability in respect of any person who is the auditor of the consolidated entity.

**RAM Australia Medical Property Fund
Directors' report
30 June 2020**

Proceedings on behalf of the trust

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the trust, or to intervene in any proceedings to which the trust is a party for the purpose of taking responsibility on behalf of the trust for all or part of those proceedings.

Auditor's independence declaration

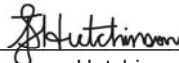
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Scott Kelly
Director



Suzanne Hutchinson
Director

27 October 2020

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of RAM Australia Medical Property Fund

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



PKF



MARTIN MATTHEWS
PARTNER

27 OCTOBER 2020
NEWCASTLE, NSW

RAM Australia Medical Property Fund
Statement of profit or loss and other comprehensive income
For the period ended 30 June 2020

	Note	Consolidated	
		2020	2019
		\$	\$
Revenue			
Interest revenue		2,886	2,149
Rent from investment properties		1,151,469	828,768
Unrealised gains on revaluation of property		1,274,829	-
Total revenue		<u>2,429,184</u>	<u>830,917</u>
Expenses			
Investment property expenses		(151,115)	(151,018)
Other expenses		(67,579)	(26,799)
Depreciation and amortisation expense		(58,674)	(11,378)
Trustee fees		(161,890)	(96,837)
Property management fees		(29,694)	(11,540)
Finance expenses		(319,361)	(214,596)
Total expenses		<u>(788,313)</u>	<u>(512,168)</u>
Profit for the period attributable to the owners of RAM Australia Medical Property Fund	11	1,640,871	318,749
Other comprehensive income for the period		-	-
Total comprehensive income for the period attributable to the owners of RAM Australia Medical Property Fund		<u><u>1,640,871</u></u>	<u><u>318,749</u></u>

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

RAM Australia Medical Property Fund
Statement of financial position
As at 30 June 2020

	Note	Consolidated	
		2020	2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	4	1,550,431	437,137
Trade and other receivables	5	125,010	1
Other current assets		<u>15,322</u>	<u>87</u>
Total current assets		<u>1,690,763</u>	<u>437,225</u>
Non-current assets			
Investment properties	6	19,921,918	12,288,175
Other non-current assets		<u>250,077</u>	<u>127,396</u>
Total non-current assets		<u>20,171,995</u>	<u>12,415,571</u>
Total assets		<u>21,862,758</u>	<u>12,852,796</u>
Liabilities			
Current liabilities			
Trade and other payables	7	<u>501,537</u>	<u>235,264</u>
Total current liabilities		<u>501,537</u>	<u>235,264</u>
Non-current liabilities			
Payables	8	118,458	25,109
Borrowings	9	<u>11,490,780</u>	<u>6,463,119</u>
Total non-current liabilities		<u>11,609,238</u>	<u>6,488,228</u>
Total liabilities		<u>12,110,775</u>	<u>6,723,492</u>
Net assets		<u>9,751,983</u>	<u>6,129,304</u>
Units on issue			
Issued units	10	8,436,763	6,061,001
Undistributed profits	11	<u>1,315,220</u>	<u>68,303</u>
Total units on issue		<u>9,751,983</u>	<u>6,129,304</u>

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

RAM Australia Medical Property Fund
Statement of changes in equity
For the period ended 30 June 2020

Consolidated	Issued units \$	Undistributed profits \$	Total units on issue \$
Balance at 28 August 2018	-	-	-
Profit for the period	-	318,749	318,749
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	318,749	318,749
<i>Transactions with owners in their capacity as owners:</i>			
Contributions of equity, net of transaction costs (note 10)	6,061,001	-	6,061,001
Distributions paid (note 12)	-	(250,446)	(250,446)
Balance at 30 June 2019	<u>6,061,001</u>	<u>68,303</u>	<u>6,129,304</u>
Consolidated	Issued units \$	Undistributed profits \$	Total units on issue \$
Balance at 1 July 2019	6,061,001	68,303	6,129,304
Profit for the period	-	1,640,871	1,640,871
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	1,640,871	1,640,871
<i>Transactions with owners in their capacity as owners:</i>			
Contributions of equity, net of transaction costs (note 10)	2,375,762	-	2,375,762
Distributions paid (note 12)	-	(393,954)	(393,954)
Balance at 30 June 2020	<u>8,436,763</u>	<u>1,315,220</u>	<u>9,751,983</u>

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

RAM Australia Medical Property Fund
Statement of cash flows
For the period ended 30 June 2020

	Note	Consolidated	
		2020	2019
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,126,264	864,097
Payments to suppliers (inclusive of GST)		<u>(301,296)</u>	<u>(291,199)</u>
		824,968	572,898
Interest received		2,886	2,149
Interest and other finance costs paid		<u>(341,189)</u>	<u>(154,452)</u>
Net cash from operating activities	18	<u>486,665</u>	<u>420,595</u>
Cash flows from investing activities			
Payments for investment property	6	<u>(6,417,588)</u>	<u>(12,327,205)</u>
Net cash used in investing activities		<u>(6,417,588)</u>	<u>(12,327,205)</u>
Cash flows from financing activities			
Proceeds from issue of units	10	2,375,762	6,061,001
Proceeds from borrowings		5,027,661	6,442,876
Distributions paid	12	<u>(359,206)</u>	<u>(160,130)</u>
Net cash from financing activities		<u>7,044,217</u>	<u>12,343,747</u>
Net increase in cash and cash equivalents		1,113,294	437,137
Cash and cash equivalents at the beginning of the financial period		<u>437,137</u>	<u>-</u>
Cash and cash equivalents at the end of the financial period	4	<u><u>1,550,431</u></u>	<u><u>437,137</u></u>

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

RAM Australia Medical Property Fund
Notes to the financial statements
30 June 2020

Note 1. General information

The financial statements cover RAM Australia Medical Property Fund as a Fund consisting of RAM Australia Medical Property Fund and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is RAM Australia Medical Property Fund's functional and presentation currency.

RAM Australia Medical Property Fund is an unlisted Managed Investment Trust, incorporated and domiciled in Australia.

Registered office and principal place of business:

Suite 31.1
264 George Street
Sydney NSW 2000

A description of the nature of the Fund's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 October 2020. The directors have the power to amend and reissue the financial statements.

Note 2. Summary of significant accounting policies

New or Applicable Accounting Standards

AASB 15 Revenue from Contracts with Customers

The Fund has adopted AASB 15 from 1 July 2019. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption

AASB 15 were adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact on opening retained profits as at 1 July 2019 and there is not a material impact in the current year.

AASB 16 Leases

The Fund has adopted AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method from 1 July 2019 and therefore the comparative information for the year ended 30 June 2019 has not been restated and has been prepared in accordance with AASB 117 *Leases* and associated Accounting Interpretations.

Impact of adoption of AASB 16

Fund as a lessee

Under AASB 117, the Fund assessed whether leases were operating or finance leases based on its assessment of whether the significant risks and rewards of ownership had been transferred to the Fund or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low value assets).

The Fund has elected to use the exception to lease accounting for short-term leases and leases of low value assets, and the lease expense relating to these leases are recognised in the statement of profit or loss on a straight line basis.

Fund as a lessor

There are no changes to the Fund under AASB 16 as a lessor. There was no impact on opening retained profits as at 1 July 2019 and there is not a material impact in the current year.

Basis of preparation

In the directors' opinion, the consolidated entity is not a reporting entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared for the purposes of complying with the Corporations Act 2001 requirements to prepare and distribute financial statements to the owners of RAM Australia Medical Property Fund. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the owners of RAM Australia Medical Property Fund.

RAM Australia Medical Property Fund
Notes to the financial statements
30 June 2020

Note 2. Summary of significant accounting policies (continued)

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of RAM Australia Medical Property Fund ('trust' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the period then ended. RAM Australia Medical Property Fund and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the parent entity has control. The parent entity controls an entity when the parent entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the parent entity. They are de-consolidated from the date that control ceases.

Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable net of the amount of goods and services tax ("GST") levied. Revenue is recognised for the major business activities as follows:

Rent from investment properties

Rent from investment properties is recognised in the Profit and Loss on a straight-line basis over the lease term. Rent not received at balance date is reflected in the Statement of Financial Position as a receivable or if paid in advance, as rents in advance. Lease incentives granted are recognised over the lease term, on a straight line basis, as a reduction of rent.

Interest income

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

Income tax

Under current Australian income tax legislation, the Trust and the consolidated entity are not liable for income tax, provided that the taxable income (including any assessable component of any capital gains from the sale of investment assets) is fully distributed to Unitholders each year. Tax allowances for building, plant and equipment depreciation are distributed to Unitholders in the form of tax preferred components of distributions.

Cash and cash equivalents

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

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Investment properties

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the Fund. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

RAM Australia Medical Property Fund
Notes to the financial statements
30 June 2020

Note 2. Summary of significant accounting policies (continued)

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary units are classified as equity.

Incremental costs directly attributable to the issue of new units or options are shown in equity as a deduction from the proceeds.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Fair value measurement hierarchy

The Fund is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

RAM Australia Medical Property Fund
Notes to the financial statements
30 June 2020

Note 4. Current assets - cash and cash equivalents

	Consolidated	
	2020	2019
	\$	\$
Cash at bank	899,653	236,097
Cash on deposit	650,778	201,040
	<u>1,550,431</u>	<u>437,137</u>

Note 5. Current assets - trade and other receivables

	Consolidated	
	2020	2019
	\$	\$
Trade Debtors	299,669	-
Less: Allowance for expected credit losses	(174,659)	-
	<u>125,010</u>	<u>-</u>
Other receivables	-	1
	<u>125,010</u>	<u>1</u>

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2020	2019	2020	2019	2020	2019
	%	%	\$	\$	\$	\$
Consolidated						
0 to 3 months overdue	58%	-	299,669	-	174,659	-
3 to 6 months overdue	-	-	-	-	-	-
Over 6 months overdue	-	-	-	1	-	-
			<u>299,669</u>	<u>1</u>	<u>174,659</u>	<u>-</u>

RAM Australia Medical Property Fund
Notes to the financial statements
30 June 2020

Note 6. Non-current assets - investment properties

	Consolidated	
	2020	2019
	\$	\$
Miami Day Hospital, Miami QLD	13,800,000	12,288,175
Corrimal Private Health Centre, Corrimal NSW	6,121,918	-
	<u>19,921,918</u>	<u>12,288,175</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial period are set out below:

Opening fair value	12,288,175	-
Additions	6,417,588	12,299,553
Revaluation increments	1,274,829	-
Impairment of assets	<u>(58,674)</u>	<u>(11,378)</u>
Closing fair value	<u>19,921,918</u>	<u>12,288,175</u>

Lessors commitments

	Consolidated	
	2020	2019
	\$	\$
Minimum lease commitments receivable but not recognised in the financial statements:		
Within one year	1,581,151	993,364
One to five years	5,209,956	392,840
More than five years	<u>2,692,259</u>	<u>3,540,282</u>
	<u>9,483,366</u>	<u>4,926,486</u>

Note 7. Current liabilities - trade and other payables

	Consolidated	
	2020	2019
	\$	\$
Accrued Expenses	351,138	129,802
Trade payables	16,561	9,324
Deferred Income	6,371	-
Goods and service tax payable	2,402	5,822
Distribution payable	<u>125,065</u>	<u>90,316</u>
	<u>501,537</u>	<u>235,264</u>

Note 8. Non-current liabilities - payables

	Consolidated	
	2020	2019
	\$	\$
Tenant's deposits	<u>118,458</u>	<u>25,109</u>

RAM Australia Medical Property Fund
Notes to the financial statements
30 June 2020

Note 9. Non-current liabilities - borrowings

On the 12th of February 2020, the controlled entities entered into a senior debt facility with Commonwealth Bank of Australia for the principal amount of \$11,580,000. The facility is due to expire on the 12th of February 2023.

	Consolidated	
	2020	2019
	\$	\$
Loan Facility Drawn	11,580,000	6,525,000
Less: Attributable transaction costs	<u>(89,220)</u>	<u>(61,881)</u>
	<u><u>11,490,780</u></u>	<u><u>6,463,119</u></u>

Refer to note 13 for further information on financial instruments.

Note 10. Units on issue - issued units

	Consolidated			
	2020	2019	2020	2019
	Units	Units	\$	\$
A Class units - fully paid	6,716,457	5,061,000	6,670,348	5,061,000
B Class units - fully paid	1,798,208	1,000,000	1,766,414	1,000,000
C Class units - fully paid	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	<u><u>8,514,666</u></u>	<u><u>6,061,001</u></u>	<u><u>8,436,763</u></u>	<u><u>6,061,001</u></u>

Movements in unit capital

Details	Date	Units	Issue price	\$
Balance	28 August 2018	-		-
Class A - Tranche 1	28 August 2018	100	\$1.00	100
Class C - Tranche 2	28 August 2018	1	\$1.00	1
Class A - Tranche 3	28 August 2018	5,060,900	\$1.00	5,060,900
Class B - Tranche 4	28 August 2018	<u>1,000,000</u>	<u>\$1.00</u>	<u>1,000,000</u>
Balance	30 June 2019	6,061,001		6,061,001
Class A - Tranche 5	18 July 2019	90,981	\$1.01	92,000
Class B - Tranche 6	23 August 2019	197,531	\$1.01	200,000
Class B - Tranche 7	27 September 2019	98,610	\$1.01	100,000
Class B - Tranche 8	1 October 2019	883	\$1.02	897
Class A - Tranche 9	13 December 2019	1,564,476	\$1.02	1,591,000
Class B - Tranche 10	1 January 2020	3,174	\$1.01	3,214
Class B - Tranche 11	15 February 2020	493,730	\$1.01	500,000
Class B - Tranche 12	1 April 2020	4,280	\$1.16	4,969
Cost of issued units		<u>-</u>	<u>\$0.00</u>	<u>(116,318)</u>
Balance	30 June 2020	<u><u>8,514,666</u></u>		<u><u>8,436,763</u></u>

RAM Australia Medical Property Fund
Notes to the financial statements
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Note 11. Units on issue - undistributed profits

	Consolidated	
	2020	2019
	\$	\$
Undistributed profits at the beginning of the financial period	68,303	-
Profit for the period	1,640,871	318,749
Dividends paid (note 12)	<u>(393,954)</u>	<u>(250,446)</u>
Undistributed profits at the end of the financial period	<u><u>1,315,220</u></u>	<u><u>68,303</u></u>

Note 12. Units on issue - distributions

Unit Class	Distribution date	Distributions per unit	Total \$
Class A	30/09/2019	\$0.0138	71,187
	31/12/2019	\$0.0106	71,436
	31/03/2020	\$0.0131	87,811
	30/06/2020	\$0.0138	<u>92,476</u>
			<u>322,910</u>
Class B	30/09/2019	\$0.0105	13,658
	31/12/2019	\$0.0126	16,395
	31/03/2020	\$0.0102	18,311
	30/06/2020	\$0.0125	<u>22,550</u>
			<u>70,914</u>
Class C	30/06/2020	\$130.0000	<u>130</u>
			<u><u>393,954</u></u>

Note 13. Financial instruments

Financial risk and capital management

The Fund's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The Fund'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 Fund.

Interest rate risk

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk.

For the Fund's bank loans outstanding, totaling \$11,580,000 (2019: \$6,525,000), are principal and interest payment loans. An official increase / decrease in interest rates of 100 basis points would have an adverse / favourable effect on profit before tax of \$115,800 (2019: \$65,250) per annum.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity.

The consolidated entity has no significant concentrations of credit risk and has policies to review the aggregate exposure of tenancies across its portfolio. The consolidated entity also has policies to ensure that leases are made to customers with an appropriate credit history.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

RAM Australia Medical Property Fund
Notes to the financial statements
30 June 2020

Note 13. Financial instruments (continued)

Financial liabilities due for payment	Within 1 Year \$	1-5 Years \$	Over 5 Years \$	Total \$
Trade & Other Payables	19,146	118,458	-	137,604
Distribution Payable	125,065	-	-	125,065
Loan Facility	-	11,580,000	-	11,580,000
	<u>144,211</u>	<u>11,698,458</u>	<u>-</u>	<u>11,842,669</u>

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 14. Remuneration of auditors

During the financial period the following fees were paid or payable for services provided by PKF(NS) Audit & Assurance Limited Partnership, the auditor of the trust:

	Consolidated	
	2020 \$	2019 \$
<i>Audit services - PKF(NS) Audit & Assurance Limited Partnership</i>		
Audit of the financial statements	<u>14,500</u>	<u>7,500</u>

Note 15. Related parties

RAM Medical Property Fund Nominees Pty Ltd ("RAM") is the responsible entity of the Fund. RAM Medical Property Nominees Pty Ltd is the Trustee for the controlled entities.

	\$
RAM Medical Property Nominees Pty Ltd	
Trustee Fee	
The Trustee charged management fees calculated at 0.65% p.a. of the gross assets of the Trust.	<u>101,735</u>
Performance Fee	
The Trustee is entitled to receive out of the assets of the Trust, a fee of 35% payable on all returns in excess of a hurdle rate in each period. No performance fee was charged in the current period as the Trust has not achieved the performance targets required.	<u>-</u>
Property Acquisition Fee	
Acquisition Fees are paid being equal to 1.5% of the consideration paid for any real Asset acquired by the Trustee in respect of the Trusts.	<u>82,500</u>
RAM Australia Property Services Pty Ltd	
Asset Management Fees	
RAM Australia Property Services Pty Limited has been appointed as the asset manager to undertake ongoing asset management. The fee for this service is 0.35% pa of the gross assets of the Trust.	<u>60,155</u>

RAM Australia Medical Property Fund
Notes to the financial statements
30 June 2020

Note 16. Controlled entity

The following entities were controlled by the parent entity during the financial year:

	Ownership Interest 2020 %	Ownership Interest 2019 %
RAM Australia Medical Property No. 1 Trust	100%	100%
RAM Australia Medical Property Mid Trust	100%	0%

The following entity was controlled by the RAM Australia Medical Property Mid Trust entity during the financial year:

	Ownership Interest 2020 %	Owner Interest 2019 %
RAM Australia Medical Property No. 2 Trust	100%	0%

Note 17. Events after the reporting period

At the date of these Financial Statements are authorised for issue, no further adjustments in respect to the impact of COVID-19 have been made. The full consequences on the Fund's future financial performance and the value of the Fund's investment properties continues to be uncertain until such time as the effects of the pandemic has been negated.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

Note 18. Reconciliation of profit to net cash from operating activities

	Consolidated	
	2020 \$	2019 \$
Profit for the period	1,640,871	318,749
Adjustments for:		
Depreciation and amortisation	58,674	31,623
IFRS rental income	(103,358)	(99,745)
Unrealised gains on revaluation of property	(1,274,829)	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(125,009)	(1)
Increase in prepayments	(34,558)	(87)
Increase in trade and other payables	324,874	170,056
Net cash from operating activities	<u>486,665</u>	<u>420,595</u>


**RAM Australia Medical Property Fund
Directors' declaration
30 June 2020**

In the directors' opinion:

- the consolidated entity is not a reporting entity because there are no users dependent on general purpose financial statements. Accordingly, as described in note 2 to the financial statements, the attached special purpose financial statements have been prepared for the purposes of complying with the Corporations Act 2001 requirements to prepare and distribute financial statements to the owners of RAM Australia Medical Property Fund;
- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards as described in note 2 to the financial statements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the trust will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Scott Kelly
Director



Suzanne Hutchinson
Director

27 October 2020

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF RAM AUSTRALIA MEDICAL PROPERTY FUND

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of RAM Australia Medical Property Fund (the Fund), 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 equity 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 declaration by the Directors of the Trustee Company.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Fund as at 30 June 2020, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards to the extent described in Note 2.

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.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the financial reporting responsibilities of the Directors. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Independence

We are independent of the Fund in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of Management and the Directors of the Trustee Company for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Responsibilities of Management and the Directors of the Trustee Company for the Financial Report (cont'd)

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

The Directors are responsible for overseeing the Fund's financial reporting process.

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 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.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

We also provide the management 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, actions taken to eliminate threats or safeguards applied.



PKF



MARTIN MATTHEWS
PARTNER

27 OCTOBER 2020
NEWCASTLE, NSW