# RAM Australia Retail Property Fund

**ABN 71 151 545 268**

## Annual Report - 30 June 2020

**RAM Australia Retail Property Fund**
**Contents**
**30 June 2020**

The Directors of RAM Australia Funds Management Limited ("RAM"), the Trustee of RAM Australia Retail 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 year 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 Trust commenced on 28 September 2016 and RAM was appointed Trustee on the 28 June 2019. Prior to this Real Asset Management Pty Ltd was the Trustee of the Fund since establishment. RAM is an unlisted private company incorporated under the Corporations Act 2001 and holds an Australian financial services licence.

**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.

**Steven Pritchard**
Director - (appointed 1 September 2020)

Steven is the Managing Partner of Rees Pritchard Professional Services and is a Certified Practising Accountant and a member of the Stock Exchange of Newcastle Limited, a Director of Pritchard & Partners Pty Limited, Rees Pritchard Pty Limited and a number of private and public companies. Steven was previously the Chairman of the Australian Society of Certified Practising Accountants Newcastle and Hunter Valley Branch and has over 25 years experience in providing financial and investment advice to a wide range of private and corporate clients.

**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.

**Principal activity**
The Fund is a registered managed investment scheme domiciled in Australia. The principal objective of the Fund is to invest in accordance with the investment objectives and guidelines set out in its current Product Disclosure Statement and in accordance with the provisions of its Constitution.

The principal activitiers of the Fund include acquiring and disposing of investment properties in Australia.

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

**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. $276,000 in rental abatements have been made available to tenants by the Fund with $145,000 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 $37,000 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 $145,000.

**Property portfolio**
The investment portfolio as at 30 June 2020 consisted of 11 shopping centres (30 June 2019: 11 shopping centres) valued at $337,160,000 (30 June 2019: $320,350,000). The investment portfolio consists of convenience based neighbourhood shopping centres with a strong weighting towards non-discretionary retail segments.

*Acquisitions*

No property acquisitions occurred during the year.

*Disposals*

No property disposals occurred during the year.

**Review of operations**
The profit for the Fund amounted to $8,505,000 (30 June 2019: $12,547,000).

The results of operations of the Fund are disclosed in the statement of profit and loss and other comprehensive income. The profit recorded for the financial year decreased 30% compared with the previous year.

| | **FY20** | **FY19** |
|---|---|---|
| Net profit after tax | $8,505,000 | $12,547,000 |
| Weighted earning per unit | $0.0582 | $0.0907 |
| Distributions paid or payable | $10,473,000 | $9,301,000 |
| Net assets per unit | $1.0150 | $1.0311 |
| Increase / (decrease) unit price | (1.56%) | 1.67% |

*Contributed Equity*

The fund had the below movements in equity during the year:

| | FY20 Units | FY19 Units |
|---|---|---|
| Opening balance | 168,572,257 | 122,318,880 |
| New unit issued | 40,804,763 | 48,435,504 |
| Dividend reinvestments | 290,938 | 48,933 |
| Unit redemptions | (20,133,500) | (2,231,060) |
| | 189,534,458 | 168,572,257 |

**Significant changes in the state of affairs**
On the 29th of November 2019, a Meeting of Unitholders was held and voted to favor to modifications to the Constitution of the Fund dated 28 September 2016. The modified amendments:

- remove the Manager Unit (Class C Unit) and merge the existing Class A and Class B Units into one Ordinary Class of Units on a pro rate basis by reference to the Net Asset Value per unit of each unit in existing A and B Classes. This resulted in the Fund moving to an uncapped floating distribution rather than the fixed distribution previously in place.

- amend the Contribution Fee to be charged out of a prospective unitholders's application funds, rather than the Fund assets

- a new Investment Management Fee of up to 1.5% per annum of the Consolidated Gross Assets of the Fund. (The actual Investment Management Fee charged remains at 1.0% of the Consolidated Gross Assets unless notified otherwise in the future).

- include a new Trustee Fee of up to 0.25% per annum of the Consolidated Gross Assets of the Fund. The actual Trustee Fee charged is 0.075% of the Consolidated Gross Assets of the Fund.

- a new Administration Fee of up to 0.50% a year of the aggregate income distributions payable to the proposed Ordinary Unitholders.

The amendments passed were deemed to have taken effect as at 1 July 2019.

There were no other significant changes in the state of affairs of the Fund during the financial year.

**Matters subsequent to the end of the financial year**
At the date of these Financial Statements being 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.

**Likely developments and expected results of operations**
The Trustee will continue to pursue commercial retail property 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 also entitled to receive a Responsible Entity Fee of 0.075% of the Fund's gross assets and an Administration Fee calculated at 0.50% of the aggregate income distributions payable to unitholders. 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 21 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. The Asset Manager is also entitled to a Performance Fee of 35% payable on returns in excess of a 8% hurdle rate in each three year period from acquisition.

*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.

**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.

**Rounding of amounts**
The Trust is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

**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

S Hutchinson

Suzanne Hutchinson
Director

Scott Kelly
Director

23 September 2020

# Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of RAM Australia Retail 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

PKF

MARTIN MATTHEWS
PARTNER

23 SEPTEMBER 2020
NEWCASTLE, NSW

**RAM Australia Retail Property Fund**
**Statement of profit or loss and other comprehensive income**
**For the year ended 30 June 2020**

| | Note | Consolidated 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Other income | 4 | 19 | - |
| Interest revenue calculated using the effective interest method | | 40 | 89 |
| Rent from investment properties | | 26,147 | 24,543 |
| Unrealised gains / (losses) on revaluation of property | | 4,445 | 4,626 |
| Total revenue | | 30,651 | 29,258 |
| **Expenses** | | | |
| Auditor's remuneration | 5 | (51) | (45) |
| Unrealised gains / (losses) on revaluation of REIT investments | 6 | (270) | - |
| Investment property expenses | | (5,819) | (5,397) |
| Other expenses | | (675) | (207) |
| Depreciation and amortisation expense | | (1,365) | (376) |
| Trustee fees | | (8,349) | (3,041) |
| Property manager fees | | (1,141) | (835) |
| Finance expenses relating to interest-bearing liabilities | | (4,476) | (6,810) |
| Total expenses | | (22,146) | (16,711) |
| **Profit for the year attributable to the owners of RAM Australia Retail Property Fund** | 18 | 8,505 | 12,547 |
| Other comprehensive income for the year | | - | - |
| **Total comprehensive income for the year attributable to the owners of RAM Australia Retail Property Fund** | | 8,505 | 12,547 |

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

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

| | Note | Consolidated 2020 $'000 | Consolidated 2019 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 9,175 | 5,702 |
| Trade and other receivables | 8 | 2,348 | 1,171 |
| Financial assets at fair value through profit or loss | 9 | 722 | - |
| Other current assets | 10 | 858 | 575 |
| Total current assets | | 13,103 | 7,448 |
| **Non-current assets** | | | |
| Investment properties | 11 | 337,160 | 320,350 |
| Other non-current assets | 12 | 1,510 | 1,321 |
| Total non-current assets | | 338,670 | 321,671 |
| **Total assets** | | 351,773 | 329,119 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 13 | 8,941 | 6,142 |
| Interest bearing loans and borrowings | 14 | - | 23,355 |
| Total current liabilities | | 8,941 | 29,497 |
| **Non-current liabilities** | | | |
| Other payables | 15 | 3,092 | 108 |
| Interest bearing loans and borrowings | 16 | 147,362 | 125,694 |
| Total non-current liabilities | | 150,454 | 125,802 |
| **Total liabilities** | | 159,395 | 155,299 |
| **Net assets** | | 192,378 | 173,820 |
| **Unitholder's Funds** | | | |
| Issued units | 17 | 188,766 | 168,240 |
| Undistributed profits | 18 | 3,612 | 5,580 |
| **Total unitholder's funds** | | 192,378 | 173,820 |

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

**RAM Australia Retail Property Fund**
**Statement of changes in equity**
**For the year ended 30 June 2020**

| Consolidated | Units on issue $'000 | Undistributed profits $'000 | Total unitholder's funds $'000 |
|---|---|---|---|
| Balance at 1 July 2018 | 121,721 | 2,334 | 124,055 |
| Profit for the year | - | 12,547 | 12,547 |
| Other comprehensive income for the year | - | - | - |
| Total comprehensive income for the year | - | 12,547 | 12,547 |
| *Transactions with owners in their capacity as owners:* | | | |
| Contributions of equity, net of transaction costs (note 17) | 46,519 | - | 46,519 |
| Distributions paid (note 19) | - | (9,301) | (9,301) |
| Balance at 30 June 2019 | 168,240 | 5,580 | 173,820 |

| Consolidated | Units on issue $'000 | Undistributed profits $'000 | Total unitholder's funds $'000 |
|---|---|---|---|
| Balance at 1 July 2019 | 168,240 | 5,580 | 173,820 |
| Profit for the year | - | 8,505 | 8,505 |
| Other comprehensive income for the year | - | - | - |
| Total comprehensive income for the year | - | 8,505 | 8,505 |
| *Transactions with owners in their capacity as owners:* | | | |
| Contributions of equity, net of transaction costs (note 17) | 20,526 | - | 20,526 |
| Distributions paid (note 19) | - | (10,473) | (10,473) |
| Balance at 30 June 2020 | 188,766 | 3,612 | 192,378 |

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

## RAM Australia Retail Property Fund
## Statement of cash flows
## For the year ended 30 June 2020

| | Note | Consolidated 2020 $'000 | Consolidated 2019 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 27,970 | 26,248 |
| Payments to suppliers (inclusive of GST) | | (13,663) | (12,098) |
| | | 14,307 | 14,150 |
| Dividends received | | 5 | - |
| Interest received | | 41 | 89 |
| Interest and other finance costs paid | | (3,817) | (5,646) |
| Net cash from operating activities | 26 | 10,536 | 8,593 |
| **Cash flows from investing activities** | | | |
| Payments for investments | | (992) | - |
| Payments for investment property | 11 | (13,696) | (68,449) |
| Net cash used in investing activities | | (14,688) | (68,449) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of units | 17 | 20,526 | 46,519 |
| Proceeds from borrowings | | - | 28,668 |
| Distributions paid | 19 | (11,213) | (8,946) |
| Repayment of borrowings | | (1,688) | (8,624) |
| Net cash from financing activities | | 7,625 | 57,617 |
| Net increase/(decrease) in cash and cash equivalents | | 3,473 | (2,239) |
| Cash and cash equivalents at the beginning of the financial year | | 5,702 | 7,941 |
| Cash and cash equivalents at the end of the financial year | 7 | 9,175 | 5,702 |

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

## Note 1. General information

The financial statements cover RAM Australia Retail Property Fund as a Fund consisting of RAM Australia Retail 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 Retail Property Fund's functional and presentation currency.

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

| Registered office | Principal place of business |
|---|---|
| Suite 31.1 | Suite 31.1 |
| 264 George Street | 264 George Street |
| Sydney NSW 2000 | 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 23 September 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.

**Leases - Adoption of AASB 16**
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**
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

## 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 Fund'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.

**Parent entity information**
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 23.

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

Subsidiaries are all those entities over which the Fund has control. The Fund controls an entity when the Fund 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 Fund. 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 in the Profit and Loss as it accrues using the effective interest method and, if not received at balance date, is reflected in the Statement of Financial Position as a receivable.

**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**
Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

**Investments and other financial assets**
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

## Note 2. Summary of significant accounting policies (continued)

*Financial assets at fair value through profit or loss*
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

*Impairment of financial assets*
The Fund recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Fund's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

**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.

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on the date of change of use.

Investment properties also include properties under construction for future use as investment properties. These are carried at fair value, or at cost where fair value cannot be reliably determined and the construction is incomplete.

**Impairment of non-financial assets**
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**Trade and other payables**
These amounts represent liabilities for goods and services provided to the Fund prior to the end of the financial year 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.

**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.

**Finance costs**
Finance costs to external parties include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

Finance costs to external parties are recognised as an expense in the Profit and Loss on an accruals basis, and if not paid at balance date, are reflected in the Statement of Financial Position as a liability.

## Note 2. Summary of significant accounting policies (continued)

**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.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**Unitholder's funds**
Units within the Fund have been classified as equity as the units are redeemable on liquidation. The life of the trust is indefinite and the Trustee determines the level of distributions on a discretionary basis as the Unitholders are entitled to a pro rata share of the entity's net assets on termination.

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.

**Comparatives**
Comparatives are consistent with prior years, unless otherwise stated.

**Rounding of amounts**
The trust is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars.

## 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.

## Note 3. Critical accounting judgements, estimates and assumptions (continued)

*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.

## Note 4. Other income

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Dividends from REIT investments | 19 | - |

## Note 5. Auditor's remuneration

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Auditor's Remuneration | 51 | 45 |

## Note 6. Unrealised gains / (losses) on revaluation of REIT investments

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Unrealised gains / (losses) on revaluation of REIT investments | 270 | - |

## Note 7. Current assets - cash and cash equivalents

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Cash at bank | 9,114 | 5,121 |
| Cash on deposit | 61 | 581 |
| | 9,175 | 5,702 |

## Note 8. Current assets - trade and other receivables

| | Consolidated 2020 $'000 | Consolidated 2019 $'000 |
|---|---|---|
| Trade receivables | 2,295 | 1,498 |
| Less: Allowance for expected credit losses | (881) | (327) |
| | 1,414 | 1,171 |
| Goods and services tax receivable | 142 | - |
| Other receivables | 792 | - |
| | 934 | - |
| | 2,348 | 1,171 |

*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** | % | % | $'000 | $'000 | $'000 | $'000 |
| Not overdue | 6% | 2% | 761 | 708 | 48 | 12 |
| 0 to 3 months overdue | 17% | 10% | 289 | 185 | 48 | 18 |
| 3 to 6 months overdue | 24% | 66% | 205 | 152 | 48 | 100 |
| Over 6 months overdue | 37% | 43% | 1,974 | 453 | 737 | 197 |
| | | | 3,229 | 1,498 | 881 | 327 |

## Note 9. Current assets - financial assets at fair value through profit or loss

| | Consolidated 2020 $'000 | Consolidated 2019 $'000 |
|---|---|---|
| REIT Investments | 722 | - |

Refer to note 21 for further information on fair value measurement.

## Note 10. Current assets - Other current assets

| | Consolidated 2020 $'000 | Consolidated 2019 $'000 |
|---|---|---|
| Accrued Income | 310 | 235 |
| Prepayments | 548 | 340 |
| | 858 | 575 |

## Note 11. Non-current assets - Investment properties

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Ballina Central Shopping Centre, Ballina NSW | 47,500 | 48,500 |
| Yeronga Village Shopping Centre, Yeronga QLD | 20,800 | 20,500 |
| Broadway Plaza, Punchbowl NSW | 53,500 | 48,750 |
| Mowbray Market Place, Mowbray TAS | 44,300 | 41,700 |
| Springfield Fair, Springfield QLD | 33,100 | 26,400 |
| The Hub Westlake, Westlake QLD | 10,000 | 10,500 |
| Windaroo Village, Windaroo QLD | 9,500 | 8,500 |
| Coomera Square, Coomera QLD | 66,350 | 63,000 |
| Gunnedah Shopping Centre, Gunnedah NSW | 14,015 | 15,300 |
| Rutherford Shopping Centre, Rutherford NSW | 19,185 | 19,700 |
| Tanilba Bay Shopping Centre, Tanilba Bay NSW | 18,910 | 17,500 |
| | 337,160 | 320,350 |

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

| | | |
|---|---|---|
| Opening fair value | 320,350 | 248,030 |
| Capital expenditure | 13,696 | 9,583 |
| Acquisitions | - | 58,500 |
| Revaluation increase | 4,476 | 4,614 |
| Impairment of assets | (1,362) | (377) |
| Closing fair value | 337,160 | 320,350 |

*Lessor commitments*

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Minimum lease commitments receivable but not recognised in the financial statements: | | |
| Within one year | 26,174 | 24,673 |
| One to five years | 75,993 | 71,517 |
| More than five years | 60,451 | 50,827 |
| | 162,618 | 147,017 |

## Note 12. Non-current assets - Other non-current assets

Other non-current assets relates to the straight-lining and smoothing adjustments for rent from investment properties.

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Other non-current assets | 1,510 | 1,321 |

## Note 13. Current liabilities - Trade and other payables

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Trade payables | 2,005 | 991 |
| Accrued expenses | 2,856 | 1,984 |
| Fees payable to related parties | 1,463 | 272 |
| Revenue received in advance | 705 | 245 |
| Goods and services tax payable | - | 60 |
| Bonds held | 114 | 52 |
| Distributions payable | 1,798 | 2,538 |
| | 8,941 | 6,142 |

Refer to note 20 for further information on financial instruments.

## Note 14. Current liabilities - Interest bearing loans and borrowings

The ANZ Trust 1 facility was refinanced with Commonwealth Bank of Australia on the 25th of October 2019.

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Loan Facility Drawn | - | 23,375 |
| Less Attributable transaction costs | - | (20) |
| | - | 23,355 |

Refer to note 20 for further information on financial instruments.

## Note 15. Non-current liabilities - Other payables

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Fees payable to related parties | 3,024 | - |
| Bonds held | 68 | 108 |
| | 3,092 | 108 |

## Note 16. Non-current liabilities - Interest bearing loans and borrowings

On the 5th of June 2019, the Fund entered into a single Facility with the Commonwealth Bank of Australia. At a reduced gearing ratio of 50%, the Facility was utilised to refinance the individual bank loans covering all of the properties excluding the Ballina asset. The Fund was in compliance with all of the financial covenants and obligations for the period ended 30 June 2020.

On the 25th of October 2019, the Fund amended the single Facility with the Commonwealth Bank of Australia to increase the Facility principal by $21,500,000 to refinance the existing ANZ Facility for Trust 1 containing the Ballina asset. The Fund was in compliance with all of the financial covenants and obligations for the period ended 30 June 2020.

**Note 16. Non-current liabilities - Interest bearing loans and borrowings (continued)**

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Bank loans | 147,950 | 126,450 |
| Less: Attributable transaction costs | (588) | (756) |
| | 147,362 | 125,694 |

Refer to note 20 for further information on financial instruments.

*Total secured liabilities*
The total secured liabilities (current and non-current) are as follows:

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Bank loans | 147,950 | 149,825 |
| Less: Attributable transaction costs | (588) | (776) |
| | 147,362 | 149,049 |

**Note 17. Unitholder's Funds - issued units**

| | Consolidated | | | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | Units | Units | $'000 | $'000 |
| Ordinary units - fully paid | 189,534,458 | - | 188,766 | - |
| A Class units - fully paid | - | 124,762,376 | - | 124,684 |
| B Class units - fully paid | - | 43,809,881 | - | 43,556 |
| C Class units - fully paid | - | 1 | - | - |
| | 189,534,458 | 168,572,258 | 188,766 | 168,240 |

## Note 17. Unitholder's Funds - issued units (continued)

*Movements in Ordinary Equity*

| Details | Date | Total Units | Subscription $'000 | Issue Cost $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balance | 30-Jun-19 | - | - | - | - |
| Ordinary Units - Convert of Class A | 1-Jul-19 | 124,762,376 | 125,131 | (447) | 124,684 |
| Ordinary Units - Convert of Class B | 1-Jul-19 | 43,809,881 | 44,811 | (1,255) | 43,556 |
| Ordinary Units - Tranche 24 | 1-Jul-19 | 15,727 | 16 | - | 16 |
| Ordinary Units - Tranche 25 | 12-Jul-19 | 8,826 | 9 | - | 9 |
| Ordinary Units - Tranche 26 | 18-Jul-19 | 4,339,306 | 4,464 | (277) | 4,187 |
| Ordinary Units - Tranche 27 | 14-Aug-19 | (1,571,634) | (1,621) | (13) | (1,634) |
| Ordinary Units - Tranche 28 | 20-Sep-19 | 145,688 | 150 | (22) | 128 |
| Ordinary Units - Tranche 29 | 23-Sep-19 | 291,093 | 300 | (9) | 291 |
| Ordinary Units - Tranche 30 | 26-Sep-19 | 97,031 | 100 | - | 100 |
| Ordinary Units - Tranche 31 | 2-Oct-19 | 1,940,617 | 2,000 | (61) | 1,939 |
| Ordinary Units - Tranche 32 | 1-Oct-19 | 28,145 | 29 | - | 29 |
| Ordinary Units - Tranche 33 | 2-Oct-19 | 454,298 | 468 | (77) | 391 |
| Ordinary Units - Tranche 34 | 3-Oct-19 | 970,309 | 1,000 | (25) | 975 |
| Ordinary Units - Tranche 35 | 31-Oct-19 | 2,256,406 | 2,325 | (36) | 2,289 |
| Ordinary Units - Tranche 36 | 8-Nov-19 | 1,068,201 | 1,101 | (33) | 1,068 |
| Ordinary Units - Tranche 37 | 15-Nov-19 | (485,248) | (500) | - | (500) |
| Ordinary Units - Tranche 38 | 18-Nov-19 | 485,343 | 500 | (8) | 492 |
| Ordinary Units - Tranche 39 | 20-Nov-19 | 1,941,359 | 2,000 | (183) | 1,817 |
| Ordinary Units - Tranche 40 | 22 - Nov - 19 | - | - | - | - |
| Ordinary Units - Tranche 41 | 27-Nov-19 | 242,671 | 250 | (4) | 246 |
| Ordinary Units - Tranche 42 | 5-Dec-19 | 971,534 | 1,000 | (23) | 977 |
| Ordinary Units - Tranche 43 | 1-Jan-20 | 110,398 | 116 | (1) | 115 |
| Ordinary Units - Tranche 44 | 3-Jan-20 | 485,767 | 500 | (10) | 490 |
| Ordinary Units - Tranche 45 | 6-Jan-20 | 485,767 | 500 | (10) | 490 |
| Ordinary Units - Tranche 46 | 15-Jan-20 | 485,343 | 500 | (10) | 490 |
| Ordinary Units - Tranche 47 | 13-Feb-20 | 485,154 | 500 | (10) | 490 |
| Ordinary Units - Tranche 48 | 4-Mar-20 | 487,234 | 500 | (10) | 490 |
| Ordinary Units - Tranche 49 | 24-Mar-20 | 1,416,987 | 1,454 | (96) | 1,358 |
| Ordinary Units - Tranche 50 | 1-Apr-20 | 136,668 | 140 | (1) | 139 |
| Ordinary Units - Tranche 51 | 28-Apr-20 | 2,222 | 2 | (10) | (8) |
| Ordinary Units - Tranche 52 | 28-May-20 | 241,996 | 246 | (39) | 207 |
| Ordinary Units - Tranche 53 | 17-Jun-20 | 3,424,993 | 3,500 | (55) | 3,445 |
| Balance | | 189,534,458 | 191,491 | (2,725) | 188,766 |

*Movements in Class A Equity*

| Details | Date | Total Units | Subscription $'000 | Issue Cost $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balance | 30/06/2018 | 91,258,594 | 91,259 | (397) | 90,862 |
| Class A Units - Tranche 3 | 01/07/2018 | - | - | (7) | (7) |
| Class A Units - Tranche 19 | 13/12/2018 | 26,574,690 | 26,870 | - | 26,870 |
| Class A Units - Tranche 22 | 10/04/2019 | 494,804 | 500 | (10) | 490 |
| Class A Units - Tranche 23 | 05/06/2019 | 6,434,288 | 6,502 | (33) | 6,469 |
| Balance | | 124,762,376 | 125,131 | (447) | 124,684 |
| | | | | | |
| Balance | 30/06/2019 | 124,762,376 | 125,131 | (447) | 124,684 |
| Conversion to Ordinary Units | 01/07/2019 | (124,762,376) | (125,131) | 447 | (124,684) |
| Balance | | - | - | - | - |

## Note 17. Unitholder's Funds - issued units (continued)

*Movements in Class B Equity*

| Details | Date | Total Units | Subscription $'000 | Issue Cost $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balance | 30/06/2018 | 31,060,285 | 31,940 | (1,080) | 30,860 |
| Class B Units - Tranche 3 | 01/07/2018 | 29,974 | 30 | - | 30 |
| Class B Units - Tranche 16 | 01/07/2018 | 29,974 | 30 | - | 30 |
| Class B Units - Tranche 17 | 01/07/2018 | 13,108 | 13 | - | 13 |
| Class B Units - Tranche 18 | 01/10/2018 | 13,467 | 14 | - | 14 |
| Class B Units - Tranche 19 | 13/12/2018 | 13,697,953 | 13,850 | (164) | 13,686 |
| Class B Units - Tranche 20 | 01/01/2019 | 11,251 | 11 | - | 11 |
| Class B Units - Tranche 21 | 01/04/2019 | 11,107 | 11 | - | 11 |
| Class B Units - Tranche 22 | 10/04/2019 | (1,057,238) | (1,088) | (11) | (1,099) |
| Balance | | 43,809,881 | 44,811 | (1,255) | 43,556 |
| | | | | | |
| Balance | 30/06/2019 | 43,809,881 | 44,811 | (1,255) | 43,556 |
| Conversion to Ordinary Units | 01/07/2019 | (43,809,881) | (44,811) | 1,255 | (43,556) |
| Balance | | - | - | - | - |

*Movements in Class C Equity*

| Details | Date | Total Units | Subscription $'000 | Issue Cost $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balance | 30/06/2019 | 1 | - | - | - |
| Unit Redemption | 01/07/2019 | (1) | - | - | - |
| Balance | | - | - | - | - |

## Note 18. Unitholder's Funds - undistributed profits

| | Consolidated 2020 $'000 | Consolidated 2019 $'000 |
|---|---|---|
| Undistributed profits at the beginning of the financial year | 5,580 | 2,334 |
| Profit for the year | 8,505 | 12,547 |
| Dividends paid (note 19) | (10,473) | (9,301) |
| | | |
| Undistributed profits at the end of the financial year | 3,612 | 5,580 |

## Note 19. Unitholder's Funds - distributions

| Quarter Ended | Distribution per unit | FY20 $'000 |
|---|---|---|
| **Ordinary Units** | | |
| 30-Sep-19 | 0.0161 | 2,776 |
| 31-Dec-19 | 0.0160 | 2,907 |
| 31-Mar-20 | 0.0157 | 2,912 |
| 30-Jun-20 | 0.0105 | 1,878 |
| | | 10,473 |

## Note 20. 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 Fund's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Fund to interest rate risk. Borrowings obtained at fixed rates expose the Fund to fair value interest rate risk. The policy is to maintain approximately 50% of current borrowings at fixed rates using interest rate swaps to achieve this when necessary.

The bank loans outstanding totaling $147,950,000 (2019: $149,825,000) are interest payment loans. An official increase/decrease in interest rates of 100 basis points (2019: 100 basis points) would have an (adverse)/favourable effect on profit before tax of ($729,500) / $729,500 (2019: ($1,293,978) / $1,293,978) per annum.

***Credit risk***
Credit risk is the risk that a customer or counterparty to a financial instrument will default on their contractual obligations resulting in a 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.

As at 30 June 2020, for the Fund, the ageing analysis of total trade receivables is as follows:

| | Trade Receivables $ | Impairment $ | Net Receivables $ |
|---|---|---|---|
| Not past due | 322,065 | - | 322,065 |
| 0-30 days past due | 297,167 | (48,410) | 248,757 |
| 31-60 days past due | 289,052 | (48,410) | 240,642 |
| 61-90 days past due | 204,756 | (48,410) | 156,346 |
| +91 days past due | 1,182,171 | (735,550) | 446,622 |
| | 2,295,211 | (880,780) | 1,414,432 |

***Liquidity risk***
Vigilant liquidity risk management requires the Fund 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 Fund 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.

| **Financial liabilities due for payment: 2020** | Within 1 Year $'000 | 1-5 Years $'000 | Over 5 Years $'000 | Total $ |
|---|---|---|---|---|
| Trade & Other Payables | 6,552 | 3,092 | - | 9,644 |
| Distribution Payable | 1,907 | - | - | 1,907 |
| Loan Facility | - | 147,950 | - | 147,950 |
| | 8,459 | 151,042 | - | 159,501 |

***Capital Management***
The Fund's objective when managing capital is to safeguard the ability to continue as a going concern, whilst providing returns for Unitholders and benefits for other stakeholders and to maintain a capital structure to minimise the cost of capital.

The Responsible Entity can alter the capital structure of the consolidated entity by adjusting the amount of distributions paid to Unitholders and adjusting the timing of development and capital expenditure.

In this context, the consolidated entity considers capital to include interest-bearing loans and borrowings and Unitholders' funds.

**Note 20. Financial instruments (continued)**

***Fair Value of financial assets and financial liabilities***
The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables as disclosed in the Statement of Financial Position reflect the fair value of these financial assets and liabilities as at 30 June 2020.

**Note 21. Fair value measurement**

*Fair value hierarchy*
The following tables detail the Fund's assets and liabilities, measured or disclosed 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
Level 3: Unobservable inputs for the asset or liability

| **Consolidated - 2020** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
|---|---|---|---|---|
| *Assets* | | | | |
| Investment properties | - | 338,930 | - | 338,930 |
| REIT Investments | 722 | - | - | 722 |
| Total assets | 722 | 338,930 | - | 339,652 |

| **Consolidated - 2019** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
|---|---|---|---|---|
| *Assets* | | | | |
| Investment properties | - | 320,774 | - | 320,774 |
| Total assets | - | 320,774 | - | 320,774 |

There were no transfers between levels during the financial year.

*Valuation techniques for fair value measurements categorised within level 2 and level 3*
Direct property assets are valued in accordance with Fund Property Valuation Policy.

This Policy requires that all direct property assets be valued at Fair Value at each balance date. Fair Value is determined at least once every two years by an appropriately qualified independent valuer.

In the intervening periods Fair Value is determined by Trustee, acting in good faith, after considering all relevant market-based information and circumstances.

Where the Trustee believes that there have been significant changes in the value of the direct property assets, an appropriately qualified independent valuer will be engaged at each reporting period in consultation with the scheme auditor to value the direct property assets in accordance with ordinary commercial practice and AIFRS.

In assessing the 30 June 2020 Valuations, the Trustee has adopted the following principles:
- The Trustee independently valued all the funds properties as at 30 June 2019. It was determined that independent valuations should be undertaken at least every 2 years for future years.
- Given the COVID-19 pandemic, the Trustee believed it to be prudent to undertake independent valuations as at 30 June 2020 on at least 50% of the Funds properties (by value) in order to better determine the impact of current market conditions on the funds property valuations.
- 67% of the Fund's properties (by value) were independently valued at 30 June 2020.

The balance of the Fund's properties were valued by the Trustee using best practice market methodologies including discounted cash flow, capitalisation and comparison methodologies.

## Note 22. Related parties

RAM Australia Funds Management Limited ("RAM") is the responsible entity of the Fund. Real Asset Management Pty Limited was the Fund's Trustee who retired on the 28th June 2019.

| | 2020 Consolidated $'000 | 2019 Consolidated $'000 |
|---|---|---|
| **Real Asset Management Pty Limited** | | |
| The Investment Management Fees are calculated at 0.65%p.a. of the gross assets of the Fund. | 2,225 | 1,891 |
| The Administration Fees are calculated at 0.50% of the aggregate income distributions payable to unitholders | 205 | - |
| Registry Fees | 50 | - |
| | 2,480 | 1,891 |
| **RAM Australia Funds Management Limited** | | |
| The Investment Management Fees are calculated at 0.65%p.a. of the gross assets of the Fund. | - | 11 |
| The Responsible Entity Fee is calculated at 0.075%p.a. of the gross assets of the Fund | 255 | - |
| | 255 | 11 |
| **RAM Australia Property Services Pty Limited** | | |
| Asset Management Fees are calculated at 0.35%p.a. of the gross assets of the Fund. | 1,198 | 1,024 |
| Performance Fees are calculated at 35% payable on all returns in excess of a 8% hurdle rate in each three year period. | 4,408 | - |
| Trust Accounting | 11 | - |
| Property Accounting | 47 | - |
| | 5,664 | 1,024 |
| **RAM Property Nominees Pty Ltd** | | |
| Acquisition Fees | | |
| Acquisition Fees are paid being equal to 1.5% of the consideration paid for any investment property asset acquired by the Trustee in respect of the Trusts. | - | 878 |

| | 2020 Consolidated $'000 | 2019 Consolidated $'000 |
|---|---|---|
| **Amounts payable to related parties** | | |
| The following balances are outstanding at the reporting date in relation to fees payable to related parties: | | |
| RAM Australia Property Services Pty Ltd | 3,034 | 105 |
| RAM Australia Funds Management Limited | 48 | 12 |
| Real Asset Management Pty Limited | 227 | 181 |
| | 3,309 | 298 |

## Note 23. Parent entity information

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

| | Parent | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Profit | 10,202 | 9,300 |
| Total comprehensive income | 10,202 | 9,300 |

*Statement of financial position*

| | Parent | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Total current assets | 9,910 | 4,829 |
| Total assets | 192,299 | 171,840 |
| Total current liabilities | 715 | 3,471 |
| Total liabilities | 3,712 | 3,509 |
| Unitholder's Funds | | |
| Issued units | 188,766 | 168,240 |
| Undistributed profits/(accumulated losses) | (179) | 91 |
| Total unitholder's funds | 188,587 | 168,331 |

*Contingent liabilities*
The parent entity had no contingent liabilities as at 30 June 2020.

## Note 24. Controlled entities

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

| | Ownership interest | |
|---|---|---|
| | 2020 | 2019 |
| Name | % | % |
| RAM Australia Retail Property No. 1 Trust | 100.00% | 100.00% |
| RAM Australia Retail Property No. 2 Trust | 100.00% | 100.00% |
| RAM Australia Retail Property No. 3 Trust | 100.00% | 100.00% |
| RAM Australia Retail Property No. 4 Trust | 100.00% | 100.00% |
| RAM Australia Retail Property No. 5 Trust | 100.00% | 100.00% |
| RAM Australia Retail Property No. 6 Trust | 100.00% | 100.00% |
| RAM Australia Retail Property No. 7 Trust | 100.00% | 100.00% |
| RAM Australia Retail Property No. 8 Trust | 100.00% | 100.00% |
| RAM Australia Retail Property No. 9 Trust | 100.00% | 100.00% |

## Note 25. Events after the reporting period

At the date of these Financial Statements being 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 26. Reconciliation of profit to net cash from operating activities

| | Consolidated | |
|---|---|---|
| | 2020 $'000 | 2019 $'000 |
| Profit for the year | 8,505 | 12,547 |
| Adjustments for: | | |
| Depreciation and amortisation | 1,345 | 376 |
| Net fair value loss on investments | 270 | - |
| Net gain on revaluation of investment property | (4,476) | (4,626) |
| Other non cash items | 758 | - |
| Change in operating assets and liabilities: | | |
| Increase in trade and other receivables | (1,460) | (1,175) |
| Increase in other assets | (189) | - |
| Increase in trade and other payables | 2,799 | 1,528 |
| Increase in other liabilities | 2,984 | (57) |
| Net cash from operating activities | 10,536 | 8,593 |

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

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Fund's financial position as at 30 June 2020 and of its performance for the financial year 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

S Hutchinson

Suzanne Hutchinson
Director

Scott Kelly
Director

23 September 2020

# INDEPENDENT AUDITOR'S REPORT

# TO THE MEMBERS OF UNITHOLDERS OF RAM AUSTRALIA RETAIL PROPERTY FUND

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of RAM Australia Retail 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 Directors of the Responsible Entity.

In our opinion, the accompanying financial report gives a true and fair view of the financial position of the Fund as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

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

### Independence

We are independent of the Fund in accordance with the 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.

### Other Information

The Directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Fund's annual report for the year ended 30 June 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.

## Other Information (cont'd)

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 Management and Directors of the Responsible Entity 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.

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 the Directors of the Responsible Entity either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Directors of the Responsible Entity 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:

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- 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.

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

- 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 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 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

PKF

M Matthews

MARTIN MATTHEWS
PARTNER

23 SEPTEMBER 2020
NEWCASTLE, NSW