Community and Social Services Property Fund

ARSN 655 386 860

Responsible Entity
KM Property Funds Ltd

Financial report

For the year ended 30 June 2022

KM Property Funds Limited
ACN 164 635 885 | AFSL 442806 | A KordaMentha group entity
Liability limited by a scheme approved under Professional Standards Legislation

KM Property Funds

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Directors' report

For the year ended 30 June 2022

The directors of KM Property Funds Ltd, the responsible entity of Community and Social Services Property Fund ('the Fund'), present the first financial report on the Fund for the year ended 30 June 2022.

Trustee and Responsible entity

The Trustee of the Fund is KM Property Funds Ltd ACN 164 635 885 ('the Trustee'). In November 2021, the Trustee was appointed as the Responsible Entity of the Fund.

KM Property Funds Ltd ACN 164 635 885 ('the Responsible Entity') is an unlisted public company incorporated under the Corporations Act 2001 and holds an Australian Financial Services Licence.

Managed Investment Scheme

The Fund, previously known as Placer Property Community and Convenience Fund, was constituted on 1 June 2018 and began as a unlisted and unregistered property trust acquiring tenanted commercial properties in Melbourne, Australian Capital Territory and in the financial year ending 30 June 2022, properties in South Australia and Western Australia. The Fund was not required to be a registered managed investment scheme under the Corporations Act during the period 1 June 2018 to 30 June 2021.

In November 2021 the Fund constitution was amended. The Fund was registered with the Australian Securities and Investments Commission on 1 December 2021 as a managed investment scheme domiciled in Australia (ARSN 655 386 860). The Fund issued a Product Disclosure Statement (PDS) dated 21 February 2022 launching as an open-ended, multi-asset, unlisted and registered unitised property trust.

Under The Fund's PDS there is no minimum raising to raise funds. The Fund's investment strategy is for future multi-asset investment in community and social services property, A-REITs, cash and cash-like products. At the date of this report, the Fund remains open to investors.

Directors

The following persons were directors of the Responsible Entity during the year and up to the date of this report.

Director	Role	Appointed/ resigned during year	Qualifications, special responsibilities and experience
James Edmund Walsh	Chairman		Jim holds a Bachelor of Commerce from Deakin University, a Master of Business Administration from Melbourne Business School and is a Fellow of the Australian Institute of Company Directors. Jim is a Fellow of Chartered Accountants Australia and New Zealand. He has over 30 years' experience as a company director and is currently a Non-Executive Director of SECOS Group Ltd and board advisor to A.G. Coombs Group Pty Ltd.
Janette Anne Kendall	Non-Executive Director		Janette holds a Bachelor of Business – Marketing and is a Fellow of the Australian Institute of Company Directors. She has more than 24 years' board experience across public, private and not-for profit organisations in industries including digital and technology, marketing and communications, media, retail, fast-moving consumer goods, hospitality, gaming, property and manufacturing. She is currently a Non-Executive Director of Vicinity Centres, Costa Group, Visit Victoria and Tabcorp Ltd.
Thomas Jepson Davis	Chief Executive Officer		Tom holds a Bachelor of Business (Property) with Distinction from RMIT and a Graduate Diploma of Applied Finance and Investment from the Financial Services Institute of Australasia. Tom is also a Licensed Real Estate Agent. Tom is a Partner with KordaMentha Real Estate with responsibilities including real estate advisory, principal investment and structured finance investment, transaction and asset management.

Director	Role	Appointed/ resigned during year	Qualifications, special responsibilities and experience
David Andrew Omond	Chief Operating Officer		David holds a Bachelor of Business (Property) from the University of South Australia. David has more than 25 years' experience in commercial property management, development, funds management and corporate finance. David is well versed in managed investment schemes and has specialised in unlisted property funds management.
Mario Ross Papaleo	Chief Investment Officer		Mario holds a Bachelor of Business (Property) from RMIT and a Graduate Diploma of Applied Finance and Investment from the Securities Institute of Australia. Mario has more than 20 years' experience in direct real estate, listed and unlisted investment and funds management.

Principal activities

The Fund has three wholly owned sub-trusts which own various properties that are beneficially held by the sub trust Custodian. CSS Subtrust 1 holds the property in Sunbury, Victoria. CSS Subtrust 2 holds the properties Flax House in the Australian Capital Territory and Kingsley in Western Australia. CSS Subtrust 3 holds the properties in Palmyra, Western Australia and Golden Grove, South Australia.

The Fund acquired a development 'fund through' site at Kingsley, Western Australia where the Fund acquired the land *and makes payment to the value of the 'on completion' valuation.*

The principal activity of the Fund is to provide Unitholders with sustainable income with the potential for capital growth through investment in community and social services properties as set out in its investment objectives.

Significant changes in the State of Affairs

In November 2021 the Fund constitution was amended. The Fund converted to an open-ended, multi-class, unlisted and registered unitised property trust and was registered with the Australian Securities and Investments Commission on 1 December 2021 as a managed investment scheme domiciled in Australia (ARSN 655 386 860).

Review of operations and results

The Fund recorded total comprehensive income for the year of $3,623,620 (2021: $503,533). The result was primarily due to rent received from tenants and net fair value increments due to capitalised costs and valuation increases, partly offset by property operating costs and interest.

The total comprehensive profit for the year includes a number of items which are non-cash in nature, occur infrequently and or relate to realised and unrealised changes in asset values and liabilities and in the opinion of the directors need to be adjusted for in order to allow for Unitholders to gain a better understanding of the Fund's underlying profit from operations. Profit from operations is a key measure in determining distributions for the Fund.

A reconciliation of total profit attributable from operations, as assessed by the directors, to the reported total comprehensive income, is provided in the table as follows:

	2022 $	2021 $
Total comprehensive profit for the year – refer page 6	**3,623,620**	503,533
Fair value adjustments		
• Investment property	**(2,236,957)**	(210,847)
Total fair value adjustments	**(2,236,957)**	(210,847)
Non-cash adjustments		
• Straight lining of rental income, non-cash	**(401,913)**	(61,160)
• Amortisation of borrowing costs, non-cash	**33,390**	1,416
Total non-cash adjustments	**(368,523)**	(59,744)
Total profit attributable from operations	**1,018,140**	232,942

Key financials measures per unit	2022 Cents	2021 Cents
Profit per unit for the year	**18.87**	4.91
Profit attributable from operations per unit for the year	**5.30**	2.27
Distribution per unit for the year – *refer to Note 11*	**16.88**	-
	$	**$**
Net tangible assets per unit	**1.02**	1.04

Events subsequent to the end of the reporting year

No other matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines set out in its Product Disclosure Document and in accordance with the provisions of its Constitution. Future results will accordingly depend on the performance of the property markets to which the Fund is exposed.

Environmental regulation

To the best of the directors' knowledge, the operations of the Fund have been undertaken in compliance with the applicable environmental regulations that apply to the Fund's activities.

Fees to Responsible Entity

All fees payable to the Responsible entity and its related parties are detailed in Note 16.

Options granted

No options over Ordinary or Acquisition units have been issued since the Fund inception date to the date of this report.

Units held by the Responsible entity

As at 30 June 2022 the Responsible Entity held no units in the Fund. Its related parties' unitholding in the Fund are set out in Note 16.

Indemnification of directors and officers

No indemnification has been given during or since the end of the financial year, for any person who is or has been an officer or auditor of the Fund. No insurance premiums have been paid out of the assets of the Fund in regard to insurance provided to the Responsible Entity.

Value of fund assets

The total value of the Fund's assets at the end of the reporting year is $38,381,436 (2021: $15,942,020).

The valuation methodology in valuing the assets is detailed in Notes 1, 8 and 18 to the financial statements.

Proceedings on behalf of Fund

No person has applied for leave of court to bring proceedings on behalf of the Fund or intervene in any proceedings to which the Responsible Entity is a party for the purpose of taking responsibility on behalf of the Fund for all or any part of those proceedings.

The Fund was not a party to any such proceedings during the year.

Issued units

There are 19,204,925 issued Ordinary units at 30 June 2022 (2021: 10,264,858), comprising, 1,859,184 Ordinary units (2021: Nil) and 17,345,741 Acquisition units (2021: 10,264,868).

Auditor’s independence declaration

A copy of the auditor’s independence declaration as required under s 307C of the *Corporations Act* 2001 is set out on page 5. No officer or director of the Responsible Entity is or has been a partner or director of any auditor of the Fund.

Signed in accordance with a resolution of the directors of KM Property Funds Ltd.

Director ______________________________

James Edmund Walsh

Dated this 14 September 2022

Accountants & Advisors

Take the lead

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF RESPONSIBLE ENTITY OF COMMUNITY AND SOCIAL SERVICES PROPERTY FUND

As lead auditor, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

SW

SW Audit (formerly ShineWing Australia)
Chartered Accountants

Rami Eltchelebi
Partner

Melbourne, 14 September 2022

Statement of profit and loss and other comprehensive income

For the year ended 30 June 2022

	Note	2022 $	Unaudited* 2021 $
Revenue			
Rental income	2	**2,138,502**	585,074
Other income	2	**66,914**	-
Fair value adjustment on investment property	8	**2,236,957**	210,847
Total Revenue		**4,442,373**	795,921
Expenses			
Accounting, compliance and taxation fees		**(70,021)**	(21,987)
Administration and other expenses		**(3,127)**	(3,581)
Borrowing costs	3	**(366,502)**	(148,541)
Custodian fees		**(6,457)**	(3,479)
Property operating and maintenance expenses		**(278,294)**	(114,800)
Responsible Entity's management fee expense		**(94,352)**	-
Total Expenses		**(818,753)**	(292,388)
Net profit for the year		**3,623,620**	503,533
Other comprehensive income			-
Total comprehensive profit for the year		**3,623,620**	503,533

The accompanying notes form part of these financial statements.

* Comparative and opening balances were audited during the 30 June 2022 year end audit.

Statement of financial position

As at 30 June 2022

	Note	2022 $	Unaudited* 2021 $
Assets			
Current assets			
Cash and cash equivalents	4	**2,066,761**	589,688
Trade and other receivables	5	**52,253**	55,755
Other assets	6	**31,405**	46,577
Total current assets		**2,150,419**	692,020
Non-current assets			
Property, plant and equipment	7	**1,581,017**	-
Investment property	8	**34,650,000**	15,250,000
Total non-current assets		**36,231,017**	15,250,000
Total assets		**38,381,436**	15,942,020
Liabilities			
Current liabilities			
Trade and other payables	9	**440,140**	438,881
Amounts due to related parties	10	**1,523,517**	23,572
Distribution payable	11	**82,872**	-
Total current liabilities		**2,046,529**	462,453
Non-current liabilities			
Secured borrowings	12	**16,807,339**	4,827,881
Total non-current liabilities		**16,807,339**	4,827,881
Total liabilities		**18,853,868**	5,290,334
Net assets		**19,527,568**	10,651,686
Net assets attributable to Unitholders			
Unitholders' funds	13	**18,758,535**	10,264,858
Retained earnings	14	**769,033**	386,828
Net assets attributable to Unitholders		**19,527,568**	10,651,686

The accompanying notes form part of these financial statements.

* Comparative and opening balances were audited during the 30 June 2022 year end audit.

Statement of changes in equity

For the year ended 30 June 2022

	Note	Unitholders' Funds $	Accumulated (losses)/Retained earnings $	Total Equity $
Balance at 1 July 2020		2,200,500	(116,705)	2,083,795
Net profit attributable to Unitholders		-	503,533	503,533
Total comprehensive income		-	503,533	503,533
Transactions with Unitholders				
Issue of Acquisition units		8,064,358	-	8,064,358
Balance at 30 June 2021		**10,264,858**	**386,828**	**10,651,686**
Net profit attributable to Unitholders		-	**3,623,620**	**3,623,620**
Total comprehensive income		-	**3,623,620**	**3,623,620**
Transactions with Unitholders				
Issue of Acquisition units		**7,080,883**	-	**7,080,883**
Issue of Ordinary units		**1,859,184**	-	**1,859,184**
Capital raising costs		**(446,390)**	-	**(446,390)**
Distributions to Unitholders	11	-	**(3,241,415)**	**(3,241,415)**
Balance at 30 June 2022		**18,758,535**	**769,033**	**19,527,568**

The accompanying notes form part of these financial statements.

Statement of cash flows

For the year ended 30 June 2022

	Note	2022 $	Unaudited* 2021 $
Cash flows from operating activities			
Rental and outgoings received		**1,684,151**	795,435
Payments made to suppliers		**(442,983)**	(7,479)
Interest received		**66,914**	-
Interest paid on finance and interest rate swap		**(265,752)**	(127,858)
Net cash provided by operating activities	15	**1,042,330**	660,098
Cash flows from investing activities			
Payments for investment property and land development		**(18,342,147)**	(10,287,993)
Net cash used in investing activities		**(18,342,147)**	(10,287,993)
Cash flows from financing activities			
Proceeds from issue of Acquisition units		4,194,860	8,064,358
Proceeds from issue of Ordinary units		1,859,184	-
Capital raising costs paid		**(446,390)**	-
Borrowing costs paid		**(278,932)**	(48,535)
Proceeds from/(repayment of) borrowings – related party		**1,495,688**	(3,154,013)
Proceeds from borrowings – bank		**12,225,000**	4,875,000
Distributions paid		**(272,520)**	-
Net cash provided by financing activities		**18,776,890**	9,736,810
Net increase in cash held		**1,477,073**	108,915
Cash and cash equivalents at beginning of financial year		**589,688**	480,773
Cash and cash equivalents at end of financial year	4	**2,066,761**	589,688

The accompanying notes form part of these financial statements.

* Comparative and opening balances were audited during the 30 June 2022 year end audit.

Notes to the financial statements

For the year ended 30 June 2022

Note 1: Summary of significant accounting policies

The consolidated financial statements and notes represent those of the consolidated entity ('the Group') consisting of Community and Social Services Property Fund ('the Fund') and its controlled sub-trusts comprising CSS Subtrust 1, CSS Subtrust 2 and CSS Subtrust 3. Community and Social Services Property Fund is an unlisted registered managed investment scheme under the *Corporations ACT 2001* established and domiciled in Australia. KM Property Funds Ltd, which is the Responsible Entity of the Fund, is an unlisted public company incorporated under the *Corporations Act 2001.*

The financial statements were authorised for issue on 14 September 2022 by the directors of the Responsible Entity.

Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001,* Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (AASB), and the Fund's Constitution. The Fund is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions.

The financial report also complies with International Financial Reporting Standards ('IFRS') as issued by the International Standards Board.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The functional currency of the Fund is measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Australian dollars which is the entity's functional and presentation currency and is rounded to the nearest dollar.

First year of reporting general purpose accounts

The Fund, previously known as Placer Property Community and Convenience Fund, was constituted on 1 June 2018 and began as a unlisted and unregistered property trust acquiring tenanted commercial properties in Melbourne, Australian Capital Territory and in the financial year ending 30 June 2022, properties in South Australia and Western Australia. The Fund was not required to be a registered managed investment scheme under the Corporations Act during the period 1 June 2018 to 30 June 2021.

In November 2021 the Fund constitution was amended. The Fund was registered with the Australian Securities and Investments Commission on 1 December 2021 as a managed investment scheme domiciled in Australia (ARSN 655 386 860). The Fund issued a Product Disclosure Statement (PDS) dated 21 February 2022 launching as an open-ended, multi-asset, unlisted and registered unitised property trust.

This is the first annual financial report of the entity as a registered managed investment scheme. The Fund has made any necessary changes to accounting policies in comparative periods.

Comparative year reporting

The financial statements include comparative financial year information prepared in accordance with the above Basis of Preparation.

Basis of consolidation

In accordance with AASB 10 Consolidated Financial Statements, the consolidated entity ('the Group') consists of Community and Social Services Property Fund ('the Fund') and CSS Subtrust 1, CSS Subtrust 2 and CSS Subtrust 3. Community and Social Services Property Fund has been identified as the parent for preparing consolidated financial reports.

Note 1: Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Subsidiaries

Subsidiaries are those entities over which the Group has the power, directly or indirectly, to govern the financial and operating policies, generally accompanied by a security holding of more than half the voting rights or those that it has deemed have been acquired either directly or indirectly through stapling arrangements. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

All inter-entity balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Accounting policies

a. **Revenue recognition**

Rental revenue

Property rental income represents income earned from the rental of Fund property (inclusive of outgoings recovered from tenants) and is recognised on a straight-line basis over the lease term. Rental revenue not received at reporting date is reflected in the statement of financial position as a receivable or if paid in advance, as rent in advance (unearned income). Lease incentives granted are considered an integral part of the total rental revenue and are recognised as a reduction in rental income over the term of the lease, on a straight-line basis. Contingent rents based on the future amount of a factor that changes other than with the passage of time, including turnover rents and CPI linked rental increases, are only recognised when contractually due.

Interest

Interest income is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of Goods and Services Tax (GST).

b. **Income tax**

Under current tax legislation, the Fund is not liable to pay income tax as Unitholders are presently entitled to the income of the Fund and income of the Fund is fully distributable to Unitholders. See Note 1k for further details on distributions and income tax.

c. **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at-call with banks, 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 and bank overdrafts.

d. **Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Receivables relating to operating leases of the investment properties are due on the first day of each month, payable in advance. Other receivables are usually due for settlement no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectible are written off. A provision for impaired receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss.

Note 1: Summary of significant accounting policies (continued)

e. Property, plant and equipment

All property, plant and equipment is recognised at historical cost less depreciation. Assets under construction are held at cost until complete then transferred to Investment property.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See Note 1(l).

f. Investment property and lease incentives

Investment property

The property will be recognised at fair value (being the valuation price). Any changes resulting from revaluation will be recorded in the Statement of Profit and Loss and Other Comprehensive Income. The carrying value of the property recorded in the Statement of Financial Position includes straight lining of rental income in respect of fixed increase in rentals in future periods. Refer to Note 18b for further details.

Lease incentives

Prospective lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including rent-free periods, upfront cash payments, or a contribution to certain lessee cost such as a fit-out contribution. Incentives are capitalised as an asset and amortised over the term of the lease as an adjustment to net rental income.

g. Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Fund that remain unpaid at the end of the reporting year. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

h. Derivative financial instruments

A variety of methods are used to calculate the value of financial instruments and make assumptions that are based upon market conditions existing at balance date. Valuation of derivative financial instruments involves assumptions based upon quoted market rates adjusted for the specific features of the relevant instrument. The valuations of any financial instrument may change in the event of market volatility.

i. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 ATO is included as part of receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST component of financing and investing activities which is recoverable from, or payable to, the ATO is presented as operating cash flows included in receipts from customers or payments to suppliers.

j. Borrowings

Borrowing are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statements over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Fund have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

k. Distribution paid and payable to Unitholders

The Fund’s Constitution requires that the Fund distribute, at a minimum, the ‘net income’ (as defined in the *Income Tax Assessment Act 1936*) derived during the financial year. This means the net assessable income of the Fund is fully distributable to the Unitholders. Accordingly, the Fund does not pay income tax provided that the distributable income of the Fund is fully distributed to Unitholders.

A liability is recognised for the amount of any distribution declared by the Fund on or before the end of the reporting year but not distributed at balance date. A liability has been recognised in the financial statements at 30 June 2022 as the final distribution had been declared at the balance date.

Note 1: Summary of significant accounting policies (continued)

l. Impairment of assets

At each reporting date, and whenever events or changes in circumstances occur, the Fund assesses whether there is any indication that an asset may be impaired. When an indicator of impairment exists, the Fund makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

m. Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is determined using quoted market prices at the balance date. The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The nominal value less estimated credit adjustments of trade receivables and payables approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

n. Unitholders' funds

Units on issue are classified as equity and recognised at the fair value of the consideration received by the Fund. Transaction costs arising on the issue of equity are recognised directly in equity as a reduction in the proceeds of units to which the costs relate.

o. Significant accounting judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The areas involving significant estimates or judgments are:

- Investment properties – Note 1f
- Fair value estimation – Note 1m.

p. New Accounting Standards adopted and for application in future periods

The Fund has adopted all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current reporting period.

There are no standards issued effective for future periods that are expected to have a material impact on the Fund.

Note 2: Revenue and other income

	2022 $	2021 $
Revenue		
Rental income and outgoings recovery	**1,736,589**	523,914
Straight lining of rental income	**401,913**	61,160
	2,138,502	585,074
Other income		
Interest income	**66,914**	-
Total	**66,914**	-

Note 2: Revenue and other income (continued)

Rental income relates to the following properties:

- The investment property at 1-5 Riddell Road, Sunbury, Victoria (Sunbury) was developed by KM Property Funds and was completed in February 2019. The Sunbury Property is leased to J&M Early Learning Pty Ltd, on an initial 20-year lease, with two further option terms of 10 years each. The lessee is responsible for all outgoings. The childcare centre trades as 'Beginnings Early Learners' and commenced operations in 2019.

  The property comprises a two level childcare centre, licenced for approval for 122 places. On-site parking is provided for 26 vehicles. The weighted average lease expiry for Sunbury is 16.66 years.

- The investment property at 216-228 Cowlishaw Street, Greenway, ACT (Flax) is a free-standing commercial building known as 'Flax House' providing 1,897 square metres of net lettable area. The majority of the building is occupied by a childcare centre with this income well supported by medical, office and retail tenants. Cubs Corner Early Learning commenced trading in 2018. The centre is licensed for up to 120 children. The weighted average lease expiry for Flax is 8.23 years by income and 8.78 years by area.

- The investment property at 2-8 Botany Drive, Golden Grove, South Australia (Golden Grove) has a gross building area of 843 square metres and is situated on a site of approximately 4,496 square metres. At grade car parking is provided for 31 vehicles. The property comprises a single storey, purpose built childcare centre operated by Nido Early School. The property was completed in 2021 and has service approval to provide education services for 122 children. The tenant has a lease over the property for a 20-year term, with three further 10 year options. The lease is structured on a net basis, whereby the tenant pays in addition to the base rental, all building outgoings (Land tax on a single holding basis) and repairs and maintenance. The weighted average lease expiry for Golden Grove is 19.2 years.

- The investment property at 56 Carrington Street, Palmyra, Western Australia (Palmyra) has a gross building area of 769 square metres and is situated on a site of approximately 2,094 square metres. At grade car parking is provided for 14 vehicles. The property comprises a single storey, purpose built childcare centre operated by Nido Early School. The property was completed in 2021 and has service approval to provide education services for 92 children. The tenant has a lease over the property for a 20-year term, with two further 10 year options. The lease is structured on a net basis, whereby the tenant pays in addition to the base rental, all building outgoings (Land tax on a single holding basis) and repairs and maintenance. The weighted average lease expiry for Palmyra is 19.4 years.

The weighted average lease expiry for the portfolio of the above properties is 14.3 years by income and 13.9 years by area.

Note 3: Expenses

	2022 $	2021 $
Borrowing costs		
Bank fees	**23**	2
Borrowing costs amortised	**33,390**	1,416
Interest and line fees	**333,089**	147,123
	366,502	148,541

Auditor's remuneration		
Remuneration paid and payable to the auditor of the Fund is as follows:		
Auditing or reviewing the full year financial statements	**31,000**	-
Other services including compliance	**4,000**	-
Total auditors' remuneration	**20,000**	15,000

Audit fees shown in the year ending 30 June 2022, include fees for the audit of comparative and opening balances.

Note 4: Cash and cash equivalents

	2022 $	2021 $
Current		
Cash at bank and on hand, interest bearing	**2,066,761**	589,688

Note 5: Trade and other receivables

	2022 $	2021 $
Current		
Trade receivables		
Rent receivable	**52,253**	55,755
Total	**52,253**	55,755

Trade and other receivables are usually non-interest bearing, unsecured and generally payable on no more than 30-day terms.

	2022 $	2021 $
Current	52,253	55,755
30 days	-	-
60 days	-	-
90 days +	-	-
Total	**52,253**	55,755

Trade and other receivables are usually non-interest bearing, unsecured and generally payable on no more than 30 day terms.

Past due but not impaired receivables At balance date no trade and other receivables were past due but not impaired other than provided for.

Impaired receivables At balance date no receivables have been determined to be impaired, other than provided for.

Credit risk The Fund has no significant credit risks identified at 30 June 2022. The rent receivable balances outstanding are within the terms of the rental agreements and are considered to be of high credit quality.

Note 6: Other assets

	2022 $	2021 $
Current		
Prepaid insurance	**1,680**	6,916
Sundry property receivables	**29,725**	39,661
	31,405	46,577

Note 7: Property Plant and Equipment

	2022 $	2021 $
Non-current		
Property under construction	1,581,017	-
	1,581,017	-

Assets under construction include a property comprising land at 22 Woodford Wells Way and 73 Kingsley Drive, Kingsley, Western Australia and the development of the land to create a 78 place childcare centre in accordance with the agreement for lease with Kingsley Early Learning Pty Ltd (Nido).

Reconciliation of the carrying amount of property under construction at the beginning and end of the financial year is set out below:

	2022 $	2021 $
Assets Under construction		
Balance at beginning	-	-
Additions at cost:		
• Property and land purchase	1,413,500	-
• Acquisition costs	75,654	-
• Development costs	91,863	-
Balance at end of the year	**1,581,017**	-

Note 8: Investment property

As at 30 June 2022, the investment properties are valued as set out below.

Investment property at fair value	Year end	Date of latest Valuation	Independent Valuation	Fair Value
Sunbury	30 June 2022	05 October 2021	7,050,000	7,050,000
Flax House	30 June 2022	3 August 2022	11,600,000	11,600,000
Palmyra	30 June 2022	9 September 2021	7,000,000	7,000,000
Golden Grove	30 June 2022	2 September 2021	9,000,000	9,000,000
Total			**34,650,000**	**34,650,000**

As at 30 June 2021, the investment properties are valued as set out below

Sunbury	30 June 2021	-	-	5,500,000
Flax House	30 June 2021	7 December 2020	9,750,000	9,750,000
Total			**15,100,000**	**15,250,000**

Note 18 illustrates key valuation assumptions used by the valuer in the determination of investment properties fair values.

For the year ending 30 June 2022, the valuers undertaking the property valuations were:

- for the Sunbury property, Knight Frank (2021: Directors' valuation)
- for the Flax House property, CBRE (2021: Walsh Monaghan)
- for the Palmyra property, PVA WA (2021: not applicable)
- for the Golden Grove property, CBRE (2021: not applicable).

Note 8: Investment property (continued)

Reconciliation of the carrying amount of Investment property at the beginning and end of the financial year is set out below:

	2022 $	2021 $
Balance at beginning	**15,250,000**	4,690,000
Additions at cost:		
• Property and land purchase	16,000,000	9,687,130
• Acquisition costs	489,401	576,519
• Capitalised costs	232,718	-
• Straight lining of rental income	401,913	61,160
• CAPEX	39,011	24,344
Amortisation of lease costs	-	-
Net gain from fair value adjustment	2,236,957	210,847
Balance at end of the year	**34,650,000**	15,250,000

Leases as lessor

The investment property is subject to agreements to lease to tenants for long terms with rentals payable monthly. Minimum lease payments under the non-cancellable operating leases of the investment property not recognised in the financial statements are receivable as follows:

	2022 $	2021 $
Within one year	**2,301,315**	1,289,964
Later than one year but not later than five years	**9,255,356**	5,222,666
Later than five years	**28,518,562**	12,104,737
Total leases as lessor	**40,075,233**	18,617,367

The Golden Grove and Palmyra properties were acquired in the year ending 30 June 2022 and Flax House was acquired during the year ending 30 June 2021.

Note 9: Trade and other payables

	2022 $	2021 $
Current		
Trade payables	**96,810**	178,137
Accrued expenses and other payables	**304,951**	254,644
GST payables	**38,379**	6,100
Total	**440,140**	438,881
Financial liabilities at amortised cost classified as trade and other payables		
Total trade and other payables – current	**440,130**	438,881
Amounts due to related parties	**1,523,517**	23,572
Financial liabilities as trade and other payables	**1,963,647**	462,453

Note 10: Amounts due to related parties

	2022 $	2021 $
Current		
KM Property Funds Ltd – monthly management fee	21,676	-
KordaMentha Investments Pty Ltd - loan	1,501,841	23,572
	1,523,517	23,572

The amount due to KordaMentha Investments Pty Ltd as trustee of the KordaMentha Investments (PPCC) Trust is a related party bridging loan facility until further bank financing is raised. The facility is for $6,300,000 at floating interest rates repayable by 30 April 2023 or until refinanced, whichever is earlier.

Note 11: Distributions payable

	2022 $	2021 $
Distribution payable	**82,872**	-

Distributions paid or accrued for the year include:

	Month ending	Paid date	Cents per unit	Total distribution $
Acquisition units	31 Jan-22 [1]	20 Jan 2022	19.9590	2,886,023
Acquisition units	28 Feb-22	12 April 2022	0.1151	19,960
Ordinary units	28 Feb-22	12 April 2022	0.1151	336
Acquisition units	31 Mar-22	12 April 2022	0.4459	77,343
Ordinary units	31 Mar-22	12 April 2022	0.4459	7,029
Acquisition units	30 Apr-22	12 May 2022	0.4315	74,849
Ordinary units	30 Apr-22	12 May 2022	0.4315	7,423
Acquisition units	31 May-22	14 Jun 2022	0.4459	77,343
Ordinary units	31 May-22	14 Jun 2022	0.4459	8,237
Acquisition units	30 Jun-22 [2]	9 August 2022	0.4416	74,849
Ordinary units	30 Jun-22 [2]	9 August 2022	0.4416	8,023
				3,241,415

[1] The 31 January 2022 distribution was paid as issued acquisition units.

[2] The June 2022 monthly distribution is paid in the 2023 financial year.

Note 12: Secured borrowings

	2022 $	2021 $
Non-current		
Bank loan	**17,100,000**	4,875,000
Capitalised borrowing costs	**(326,051)**	(48,535)
Amortisation of borrowing costs	**33,390**	1,416
Total borrowings	**16,807,339**	4,827,881

Note 12: Secured borrowings (continued)

The loan facility is secured by a registered mortgage and general security charge over the assets of the Fund. The interest only facility is for $17,100,000 at 30 June 2022 with a maturity date of 30 April 2026, at floating interest rates. At 30 June 2022, there were no interest rate swaps.

	2022 $	2021 $
Credit facility		
Cash advance facility	**17,100,000**	4,875,000
Drawn balance	**(17,100,000)**	(4,875,000)
Undrawn balance	**-**	-

Note 13: Unitholders' funds

	Units at 30 June 2022	30 June 2022 $	Units at 30 June 2021	30 June 2021 $
Units on Issue – Acquisition units	**17,345,741**	**17,345,741**	10,264,858	10,264,858
Units on Issue – Ordinary units	**1,859,184**	**1,859,184**	-	-
Capital raising costs	**-**	**(446,390)**	-	-
Total Unitholders' funds	**19,204,925**	**18,758,535**	10,264,858	10,264,858

Capital management

The Fund regards net assets attributable to Unitholders as its capital. The objective of the Fund is to provide Unitholders with sustainable income with the potential for capital growth through investments in property.

Note 14: Retailed earnings

	2022 $	2021 $
Retailed earnings	**769,033**	386,828

Retailed earnings reserve records income, expenses and distributions to unitholders.

Note 15: Cash flow information

	2022 $	2021 $
Reconciliation of cash flow from operating activities with profit for the year		
Net profit for the year	**3,623,620**	503,533
Non-cash flows in profit		
Straight lined rental income	**(401,913)**	(61,160)
Fair value gain on investment	**(2,236,957)**	(210,847)
Amortisation of borrowings costs	**33,390**	1,416
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	**(189,830)**	261,277
Decrease/(increase) in prepayments	**15,172**	(42,693)
Increase in trade and other payables	**198,848**	208,572
Net cash provided by operating activities	**1,042,330**	660,098

Note 16: Related party disclosures

a. Responsible Entity, the Manager and KordaMentha Investments (PPCC) Trust

The Responsible Entity of the Fund is KM Property Funds Ltd, which has outsourced a number of the Fund's management functions to KordaMentha Real Estate Pty Ltd ('the Manager'). KordaMentha Real Estate Pty Ltd is a related party. KordaMentha Investments Pty Ltd as trustee of the KordaMentha Investments (PPCC) Trust, as Acquisition unitholder, is a related party.

b. Key management personnel and directors

The Fund and the Responsible Entity do not employ personnel in their own right. The Fund has appointed the Responsible Entity, KM Property Funds Ltd to manage the activities of the Fund. The directors of the Responsible Entity are listed below and were not paid director fees by the Fund or the Responsible Entity:

- James Edmund Walsh — Director
- Janette Anne Kendall — Director
- Thomas Jepson Davis — Chief Executive Officer
- David Andrew Omond — Chief Operating Officer
- Mario Ross Papaleo — Chief Investment Officer

c. Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively, with their close family members. Other related parties also include any entities controlled, jointly controlled or significantly influenced by the Responsible Entity, any of the Responsible Entity's parent entities and any entities that, together with the Responsible Entity, are subject to common control by another entity.

d. Transactions and outstanding balances with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties (i.e. at arm's length) unless the terms and conditions disclosed below specifically indicate otherwise. The following transactions occurred with related parties and are in accordance with the Product Disclosure Statement:

Transactions with related parties	2022 $	2021 $
Transactions with KordaMentha Investments Pty Ltd		
Expense reimbursements	**6,152**	84,898
Loan payable	**1,501,841**	23,572

Note 16: Related party disclosures (continued)

Transactions with related parties	2022 $	2021 $
Transactions with KM Property Funds Ltd		
Expense reimbursements	**929**	-
Management fees	**94,352**	-
Transaction fees including non-claimable GST ITC.	**656,000**	-

Amounts payable to related parties at the end of the financial year are disclosed in Note 10.

e. Other related parties

There were no transactions or outstanding balances with any entities controlled, jointly controlled or significantly influenced by the Responsible Entity, any of its parent entities and any entities that are subject to common control by the Responsible Entity, or any other related party.

f. Compensation

No amount is paid by the Fund directly to the directors of the Responsible Entity. Accordingly, no compensation as defined in AASB 124: *Related Party Disclosures* is paid by the Fund to the directors as key management personnel.

g. Related party equity holdings

	2022 Acquisition units	2021 Acquisition units
KordaMentha Investments (PPCC) Trust	**17,345,741**	10,264,858

Note 17: Financial risk management

The Fund's financial instruments consist primarily of cash and cash equivalents, accounts receivable and payable and secured borrowings. The Fund is exposed to a variety of financial risks as a result of its activities. These risks include credit risk, interest rate risk (market risk) and liquidity risk.

The Fund's risk management and investment policies, approved by the directors of the Responsible Entity, aim to assist the Fund in meeting its financial targets while minimising the potential adverse effects of these risks on the Fund's financial performance. The Fund uses interest rate swaps to manage its financial risk as permitted under the financial risk management policy. Such instruments are used exclusively for hedging purposes i.e. not for trading for speculative purposes.

The Fund holds the following financial instruments:

	Note	2022 $	2021 $
Financial assets			
Cash and cash equivalents	4	2,066,761	589,688
Trade and other receivables	5	52,253	55,755
		2,119,014	645,443
Financial liabilities			
Trade and other payables	89	440,140	438,881
Amounts due to related parties	10	1,523,517	23,572
Distribution payable	11	82,872	-
Secured borrowings	12	17,100,000	4,875,000
Financial liabilities		**19,146,529**	5,337,453

Note 17: Financial risk management (continued)

Specific financial risk exposures and management

a. **Credit risk**

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

The Fund's maximum credit risk exposure at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position. Refer to Note 5 for further details on the Fund's exposure to credit risk arising from trade receivables.

Apart from the secured borrowings and trade receivables, the Funds have limited concentrations of credit risk with any single counterparty or group of counterparties. The properties are single tenanted by high-quality tenants. Trade receivables that are neither past due nor impaired are considered to be of high credit quality.

b. **Liquidity risk**

Liquidity risk arises if the Fund has insufficient liquid assets to meet its short term obligations. Liquidity risk is managed by maintaining sufficient cash balances and adequate committed credit facilities. Prudent liquidity management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The instruments entered into by the Fund were selected to ensure sufficient funds would be available to meet the ongoing cash requirements of the Fund.

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities. Cash flows realised from financial assets reflect management's expectations as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

The loan is anticipated to be refinanced unless repaid on settlement of the property.

Financial liability and financial asset maturity analysis

	Within 1 year $	1 to 5 years $	Total $
Financial liabilities due			
Trade and other payables	440,140	-	440,140
Amounts due to related parties	1,523,517	-	1,523,517
Distribution payable	82,872	-	82,872
Secured borrowings	-	17,100,000	17,100,000
Total expected outflows	**2,046,529**	**17,100,000**	**19,146,529**
Financial assets realisable			
Cash and cash equivalents	2,066,761	-	2,066,761
Trade receivables	52,253	-	52,253
Total anticipated inflows	**2,119,014**	**-**	**2,119,014**
Net inflows/ (outflows)	**72,485**	**(17,100,000)**	**(17,027,515)**

c. **Market risk**

Interest rate risk

The Fund's interest-rate risk will primarily arise from borrowings. Borrowings issued at variable rates will expose the Fund to cash flow interest rate risk. Borrowings issued at fixed or capped rates will expose the Fund to fair value interest rate risk. The Fund's policy is to effectively maintain hedging arrangements of its borrowings where it is considered appropriate and cost effective to do so.

Note 17: Financial risk management (continued)

c. Market risk (continued)

Interest rate risk (continued)

The Fund has exposure to interest rate risk on its monetary assets and liabilities, as shown in the table below:

	2022 $	2021 $
Floating rate		
Cash and cash equivalents	2,066,761	589,688
Secured borrowings	(17,100,000)	(4,875,000)
Net exposure	**(15,033,239)**	(4,285,312)

Sensitivity

As the Fund is not hedged against interest rate risk to the secured borrowings, the only material sensitivity analysis applicable is the impact of floating interest rate risk to the borrowings.

The following table details the Fund's sensitivity to movements in the interest rates, based on the interest rate at balance date with all other variables held constant.

Fair value of interest rate swap	Profit/(loss) 2022 $	Equity 2022 $	Profit/(loss) 2021 $	Equity 2021 $
Interest rates increased by 100 basis points	**(170,414)**	**(170,414)**	(48,583)	(48,583)
Interest rates decreased by 100 basis points	**170,414**	**170,414**	48,583	48,583

Note 18: Fair value measurement

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition.

- Investment property, refer to Note 8

a. Fair Value Hierarchy

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The following tables provide the fair values of the Fund's assets measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

		At 30 June 2022			
Recurring fair value measurements	**Note**	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Assets					
Investment property	8	-	-	34,650,000	**34,650,000**

Note 18: Fair value measurement (continued)

a. Fair Value Hierarchy (continued)

		At 30 June 2021			
		Level 1	Level 2	Level 3	Total
Recurring fair value measurements	**Note**	$	$	$	$
Assets					
Investment property	8	-	-	15,250,000	15,250,000

There were no transfers between levels of the fair value hierarchy during the financial year.

Disclosed fair values

The fair value of investment property (Level 3) is disclosed in the statement of financial position.

The carrying amounts of trade and other receivables and other current assets, trade and other payables are assumed to approximate their fair values due to their short-term nature. The Fund holds no Level 1 or 2 assets or liabilities.

b. Valuation Techniques and Inputs Used to Measure Level 3 Fair Values

Fair value of investment property

If one or more of the significant inputs is not based upon observable market data the asset or liability is included in Level 3. The Fund holds no Level 3 financial instruments. However, the Fund has investment properties with a carrying amount of approximately $34,650,000 that is valued using techniques whereby at least one significant input is not observable market data, and hence they are considered to be Level 3 assets for the purposes of fair value measurement.

The highest and best use of investment properties is taken into consideration when determining fair values. The highest and best use of investment property refers to the use of the investment property by a market participant that would maximise the value of that property. With respect to the Fund's investment property, the current use is considered to be the highest and best use. Within this construct, fair value is determined within a range of reasonable estimates utilising both capitalisation of net market income and discounted future cash flow methodologies and comparing the results to market sales evidence.

The most appropriate evidence of fair value is given by current prices in an active market for similar Property in the same location and condition and subject to similar leases. Where sufficient market information is not available, or to supplement this information, management considers other relevant information including:

- Current prices for properties of a different nature, condition or location, adjusted to reflect those differences.
- Recent prices of similar properties in a less active market, with adjustments to reflect changes in economic conditions or other factors.
- Capitalised income calculations based on an assessment of current net market income for that property or other similar properties, a capitalisation rate taking into account market evidence for similar properties and adjustments for any differences between market rents and contracted rents over the term of existing leases and deductions for short term vacancy or lease expiries, incentive costs and capital expenditure requirements.
- Discounted cash flow forecasts including estimates of future cash flows based on current leases in place for that property, historical operating expenses, reasonable estimates of current and future rents and operating expenses based on external and internal assessments and using discount rates that appropriately reflect the degree of uncertainty and timing inherent in current and future cash flows.

The fair value adopted for investment properties at 30 June 2022 has been supported by independent external valuations of the Sunbury, Flax House, Palmyra and Golden Grove properties.

The directors and management have considered the financial impact of the COVID-19 pandemic on the valuation of the property at 30 June 2022. Currently market movement in property values may be exacerbated by the COVID-19 pandemic and valuers consider there is significant valuation uncertainty making it difficult to predict or forecast property values.

The directors will continue to monitor the effects of the COVID-19 pandemic on the Fund and will update current and potential investors as necessary.
The Board conducts investment property valuation process on a yearly basis, or on a more regular basis if considered appropriate and as determined by management in accordance with the valuation policy of the Fund. An independent professionally qualified external valuer undertakes the valuation

For 30 June 2022, the valuers undertaking the property valuations were: Knight Frank Valuations for Sunbury (2021: Knight Frank Valuations), CBRE for Flax House (2021: Walsh Monaghan), PVA WA for Palmyra (2021: not applicable), and CBRE for Golden Grove (2021: not applicable).

Any change in estimates impacts the carrying value of investment property and the fair value adjustment is recognised in profit or loss.

Note 18: Fair value measurement (continued)

b. Valuation Techniques and Inputs Used to Measure Level 3 Fair Values (continued)

Fair value of investment property (continued)

The significant unobservable inputs associated with the valuation of the Group's investment properties (excluding property under construction) are as follows:

				Range of Unobservable Inputs			
Class property	**Fair Value Hierarchy**	**Valuation Technique**	**Inputs used to measure Fair Value**	**Sunbury**	**Flax House**	**Golden Grove**	**Palmyra**
Childcare	Level 3	Discounted cash flow and Income capitalisation method	Net Market Rent per place per annum	$3,031	$4,358	$3,671	$4,150
			Adopted capitalisation rate	5.25%	6.50%	5.00%	5.25-5.50%

Definitions

Discounted Cash Flow Method	A method in which a discount rate is applied to future expected income streams to estimate the present value.
Income Capitalisation Method	A valuation approach that provides an indication of value by converting future cash flows to a single current capital value.
Gross Market Rent	The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
Capitalisation Rate	The return represented by the income produced by an investment, expressed as a percentage.

Sensitivity analysis

Significant impact	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Net Market Rent per place per annum	Increase	Decrease
Adopted capitalisation rate	Decrease	Increase

Note 18: Fair value measurement (continued)

b. Valuation Techniques and Inputs Used to Measure Level 3 Fair Values (continued)

Sensitivity analysis (continued)

The following tables detail the Fund's sensitivity to movements in the capitalisation rates, based on the investment property valuation at balance date with all other variables held constant.

	Sunbury	
Fair value of investment property	**Profit/ (loss) and Equity 2022 $**	**Profit/ (loss) and Equity 2021 $**
Capitalisation rate increased by 25 basis points	**(327,109)**	(240,815)
Capitalisation rate decreased by 25 basis points	**345,180**	197,450

	Flax House	
Fair value of investment property	**Profit/ (loss) and Equity 2022 $**	**Profit/ (loss) and Equity 2021 $**
Capitalisation rate increased by 25 basis points	**(430,401)**	(326,000)
Capitalisation rate decreased by 25 basis points	**464,833**	125,000

	Golden Grove	
Fair value of investment property	**Profit/ (loss) and Equity 2022 $**	**Profit/ (loss) and Equity 2021* $**
Capitalisation rate increased by 25 basis points	**(428,571)**	N/a
Capitalisation rate decreased by 25 basis points	**473,684**	N/a

	Palmyra	
Fair value of investment property	**Profit/ (loss) and Equity 2022 $**	**Profit/ (loss) and Equity 2021* $**
Capitalisation rate increased by 25 basis points	**(306,787)**	N/a
Capitalisation rate decreased by 25 basis points	**336,261**	N/a

*The property was acquired in the year ending 30 June 2022.

Note 19: Parent entity financial information

	2022 $	2021 $
Assets		
Current assets		
Cash and cash equivalents	**2,066,760**	589,688
Prepayments	-	-
Amounts due from related parties	**8,394,011**	2,169,843
Total current assets	**10,460,771**	2,759,531
Non-current assets		
Investment in sub-trusts	**30,735,032**	14,315,172
Total non-current assets	**30,735,032**	14,315,172
Total assets	**41,195,803**	17,074,703
Liabilities		
Current liabilities		
Trade and other payables	**274,962**	98,344
Amounts due to related parties	**4,027,554**	1,006,187
Distribution payable	**82,872**	-
Total current liabilities	**4,385,388**	1,164,531
Non-current liabilities		
Secured borrowings	**16,807,339**	4,827,881
Total non-current liabilities	**16,807,339**	4,827,881
Total liabilities	**21,192,727**	5,992,414
Net assets	**20,003,076**	11,082,289
Net assets attributable to Unitholders		
Unitholders' funds	**19,204,925**	10,264,858
Capital raising costs	**(446,389)**	-
Retained earnings	**1,244,540**	817,431
Net assets attributable to Unitholders	**20,003,076**	11,082,289

Note 20: Recurring and non-recurring contingent liabilities and assets

The Fund does not have any other contingent liabilities or contingent assets as at 30 June 2022.

Note 21: Events after the reporting period

The directors of the Responsible Entity are not aware of any other significant events since the end of the reporting year.

Note 22: Additional information

The registered office of the Responsible Entity is:

KM Property Funds Ltd
Rialto South Tower
Level 31, 525 Collins Street
Melbourne VIC 3000

The principal place of business of the Responsible Entity is:

KM Property Funds Ltd
Rialto South Tower
Level 31, 525 Collins Street
Melbourne VIC 3000

Directors' declaration

In accordance with a resolution of the directors, the directors of the Responsible Entity declare that:

1. The financial statements and notes of Community and Social Services Property Fund ('the Fund'), as set out on pages 6 to 28, are in accordance with the *Corporations Act 2001* and:
   a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards ('IFRS')
   b. give a true and fair view of the financial position as at 30 June 2022 and of the performance for the year ended on that date of the Fund.
2. In the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors of the Responsible Entity.

Director

James Edmund Walsh

Dated this 14 September 2022

Accountants & Advisors

Take the lead

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COMMUNITY AND SOCIAL SERVICES PROPERTY FUND

Opinion

We have audited the financial report of Community and Social Services Property Fund (the Fund) which comprises the statement of financial position as at 30 June 2022, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Responsible Entity directors' declaration.

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

a. giving a true and fair view of the Fund's financial position as at 30 June 2022 and of its financial performance for the year then ended, and

b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

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

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Emphasis of Matter – Significant Valuation Uncertainty

We draw attention to Note 18 of the financial report which sets out that the investment property has been valued using estimates at a time of significant valuation uncertainty given COVID-19. Any change in estimates impacts the carrying value of the investment property and the fair value adjustment is recognised in profit or loss. Our opinion is not modified in respect of this matter.

Responsibilities of the Responsible Entity Directors for the Financial Report

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

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the 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 intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

We communicate with the directors 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.

SW

SW Audit (formerly ShineWing Australia)
Chartered Accountants

Rami Eltchelebi
Partner

Melbourne, 14 September 2022