

Key Capital Property Fund
as at 30 June 2023

ARSN 121 439 129

**KEY CAPITAL LIMITED
RESPONSIBLE ENTITY REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

The Directors of the Responsible Entity, Key Capital Limited, present their report on Key Capital Property Fund ("the Fund") for the year ended 30 June 2023.

1. Directors

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

James D. Permezel
Stephen Nicholls
George Nikakis

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

2. Principal Activities

The principal activities of the Fund are to act as landlord of commercial properties, for the purpose of earning revenue in the form of rent.

3. Operating Results

The net profit of the Fund for the year ending 30 June 2023 was \$119,081 (2022: \$2,285,199, profit).

4. Distributions Paid or Recommended

Distributions paid or declared for payment for the year ending 30 June 2023 were \$400,835 in total (2022: \$196,962).

	2023		2022	
	\$	Cents per unit	\$	Cents per unit
Distributions paid	400,835	2.19	196,962	1.40
	<u>400,835</u>	<u>2.19</u>	<u>196,962</u>	<u>1.40</u>

5. Review of Operations

During the year ended 30 June 2023 the Fund held the property at Percy Street, Bellerive, Tasmania.

Bellerive

Key Capital finalised construction and Dan Murphy's took possession late in 2022.

**KEY CAPITAL LIMITED
RESPONSIBLE ENTITY REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

6. Significant Changes in State of Affairs

Apart from those matters referred to in the previous sections of this report, there have been no other significant changes to the state of affairs of the Fund during the financial year.

7. After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected 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.

8. Future Developments

The Fund will continue with its current investment objectives and strategy.

9. Environmental Issues

The Fund complied with all environmental regulations during the course of the financial year.

10. Indemnifying Officers or Auditor

During or since the end of the financial year, the Responsible Entity has paid insurance premiums to insure each of the aforementioned directors as well as officers of the Responsible Entity against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of the Responsible Entity, other than conduct involving a willful breach of duty in relation to the Responsible Entity. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Responsible Entity has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify an officer or auditor of the Responsible Entity or of any related body corporate against a liability incurred as such an officer or auditor.

11. Options

No options were granted since the end of the financial year and there are no options outstanding at the date of this report. The directors and executives of the Responsible Entity hold no options over interests in the Fund.

12. Proceedings on Behalf of the 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 Fund is a party for the purpose of taking responsibility on behalf of the Fund for all or any part of their proceedings. The Fund was not a party to any such proceedings during the year.

13. Fees, Commissions or other charges by the Responsible Entity or Related Parties of the Responsible Entity.

All Responsible Entity fees have been detailed in Note 16 "Related Party Transactions".

14. Units held by the Responsible Entity or Related Parties of the Responsible Entity

At 30 June 2023 the Responsible Entity and its related parties held 3,198,094 units (2022: 4,145,000) in the Fund, as detailed in Note 16 on Related Parties Transactions.

**KEY CAPITAL LIMITED
RESPONSIBLE ENTITY REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

15. Interests Issued in the Fund

During the year 14,414,096 additional units were issued (2022: Nil).

16. Buy Back Arrangements

As detailed in the Fund Constitution the Responsible Entity is not under any obligation to buy back, purchase or redeem units from unit holders. During the year the responsible entity of the Fund offered a limited withdrawal offer to investors whereby investors could withdraw all or part of their investment.

17. Value of Scheme Assets

The total value of the Fund's assets at the end of the reporting period is \$12,020,678 (2022: \$7,930,640).

The methodology utilised in valuing the assets is detailed in Note 1 to the financial statements.

18. Number of Interests on Issue

At 30 June 2023, the number of units issued in the Fund was 24,273,096 units (2022: 14,102,174). No units have been issued subsequent to the reporting period.

19. Auditors' Independence Declaration

A copy of the auditors' independence declaration as required by section 307C of the *Corporations Act 2001* is set out in the following report.

Signed in accordance with a resolution of the Board of Directors of Key Capital Limited by:



George Nikakis
Director

Date: 28 September 2023

The Board of Directors
Key Capital Limited
Office 15
1 East Ridge Drive
CHIRNSIDE PARK VIC 3116

28 September 2023

Dear Board Members

Key Capital Property Fund

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Key Capital Limited, the Responsible Entity of Key Capital Property Fund.

As lead audit partner for the audit of the financial statements of Key Capital Property Fund for the financial year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Daniel Allison & Associates Assurance

DANIEL ALLISON & ASSOCIATES ASSURANCE
Chartered Accountants



Paul Carr
Partner
Melbourne

KEY CAPITAL PROPERTY FUND
ARSN 121 439 129

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 \$	2022 \$
Revenue and other income			
Property rental	4(a)	265,318	93,249
Trust Distribution		1,973	-
Interest and other income	4(b)	17,686	-
Total revenue and other income		284,977	93,249
Expenses			
Direct property expenses		(101,347)	(66,512)
Administration expenses			
- Responsible entity's management fees:			
Management fees	16	(93,382)	(37,721)
Exit fee/deferred management fee	16	(8,000)	(20,000)
Capital works fee/acquisition fee		(139,255)	(34,820)
Rollover fee	16	-	(216,428)
- Custodian fees		(20,000)	(20,000)
- Legal fees	5	(6,467)	(29,320)
- Other administration expenses		(101,056)	(108,424)
		(368,160)	(466,713)
Net changes in fair value of investment properties	9	564,068	2,852,006
Finance costs	6	(260,457)	(126,831)
Profit for the year		119,081	2,285,199
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the year attributable to unitholders		119,081	2,285,199

KEY CAPITAL PROPERTY FUND
ARSN 121 439 129

STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2023

	Notes	2023 \$	2022 \$
CURRENT ASSETS			
Cash and cash equivalents	7	222,865	41,855
Trade and other receivables	8	24,716	12,999
TOTAL CURRENT ASSETS		<u>247,581</u>	<u>54,854</u>
NON-CURRENT ASSETS			
Investment properties	9	11,377,175	7,875,786
Financial assets at fair value through profit or loss	10	395,922	-
TOTAL NON-CURRENT ASSETS		<u>11,773,097</u>	<u>7,875,786</u>
TOTAL ASSETS		<u>12,020,678</u>	<u>7,930,640</u>
CURRENT LIABILITIES			
Trade and other payables	12	76,861	196,688
Interest-bearing liabilities	13	3,671,929	2,708,121
TOTAL CURRENT LIABILITIES		<u>3,748,790</u>	<u>2,904,809</u>
NON-CURRENT LIABILITIES			
Provisions	14	113,000	105,000
Interest-bearing liabilities	13	-	-
TOTAL NON-CURRENT LIABILITIES		<u>113,000</u>	<u>105,000</u>
TOTAL LIABILITIES		<u>3,861,790</u>	<u>3,009,809</u>
NET ASSETS		<u>8,158,888</u>	<u>4,920,831</u>
EQUITY			
Issued capital	15(a)	14,097,339	10,577,528
Cumulative deficit after distributions		(5,938,451)	(5,656,697)
TOTAL EQUITY		<u>8,158,888</u>	<u>4,920,831</u>

KEY CAPITAL PROPERTY FUND
ARSN 121 439 129

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Issued capital \$	Cumulative deficit \$	Total equity \$
Equity at 1 July 2022	10,577,528	(5,656,697)	4,920,831
Net Profit for the year	-	119,081	119,081
Total comprehensive profit for the year	-	119,081	119,081
Transactions with unitholders in their capacity as unitholders:			
Units issued	4,957,721	-	4,957,721
Units redeemed	(1,437,910)	-	(1,437,910)
Distributions paid	-	(400,835)	(400,835)
Equity at 30 June 2023	<u>14,097,339</u>	<u>(5,938,451)</u>	<u>8,158,888</u>
Equity at 1 July 2021	10,577,528	(7,744,934)	2,832,594
Net Profit for the year	-	2,285,199	2,285,199
Total comprehensive income for the year	-	2,285,199	2,285,199
Transactions with unitholders in their capacity as unitholders:			
Distributions paid	-	(196,962)	(196,962)
Equity at 30 June 2022	<u>10,577,528</u>	<u>(5,656,697)</u>	<u>4,920,831</u>

KEY CAPITAL PROPERTY FUND
ARSN 121 439 129

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 \$	2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Property rental receipts		265,318	102,292
Interest received		17,686	-
Payments to suppliers		(593,051)	(457,165)
Distribution received		1,973	-
Finance costs paid		(323,528)	(126,831)
Net cash from operating activities	17(b)	<u>(631,602)</u>	<u>(481,704)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for capital expenditure/acquisition investment properties		(2,937,321)	(708,500)
Payment for Financial assets at fair value through profit or loss		(395,922)	-
Net cash from investing activities		<u>(3,333,243)</u>	<u>(708,500)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		1,026,879	958,121
Proceeds from issue of units		4,957,721	-
Payment for units redeemed		(1,437,910)	-
Distributions paid to unitholders		(400,835)	(196,962)
Net cash from financing activities		<u>4,145,855</u>	<u>761,159</u>
Net (decrease)/increase in cash and cash equivalents		181,010	(429,045)
Cash and cash equivalents at the beginning of year		41,855	470,900
Cash and cash equivalents at the end of year	17(a)	<u><u>222,865</u></u>	<u><u>41,855</u></u>

KEY CAPITAL PROPERTY FUND
ARSN 121 439 129

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The financial statements are for the entity Key Capital Property Fund (“the Fund”) as an individual entity. The Fund is a for profit, unlisted registered scheme established and domiciled in Australia. The principal activity of the Fund is disclosed in the directors report.

Going concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (“AASB”) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards (“IFRS”) adopted by the international Accounting Standards Board (“IASB”).

The financial report was authorised for issue in accordance with a resolution of the board of directors of Key Capital Limited, the ‘Responsible Entity’, on 28 September 2023.

Basis of measurement

The financial statements have been prepared on the basis of historical cost, except for investment properties and derivative financial instruments, which have been measured at fair value at the end of the reporting period. Cost is based on the fair values of the consideration given in exchange for assets.

Going Concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Fund has an excess of current liabilities over current assets of \$3,501,209 due to the classification of the interest bearing loan as current. The loan matures in March 2026, however it is classified as current as the Fund is not currently in compliance with its interest cover ratio. This has occurred as the Fund has recently completed the Dan Murphy’s development.

The Fund is required to provide the compliance certificate to the financier on the 15 April 2024. Notwithstanding the above, the Directors do not anticipate any issues in relation to the ongoing availability of the facility.

Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Fund’s functional currency.

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Investment properties

Investment property is property which is held to earn rental income, or for capital appreciation, or for both.

Investment properties are carried at fair value determined either by the directors or independent valuers. Changes to fair value are recorded in profit or loss. Investment properties are not depreciated.

The fair value of investment properties excludes any accrued operating lease income or lease incentives recognised as a receivable in accordance with AASB 116: *Leases* as detailed in Note 1(b).

KEY CAPITAL PROPERTY FUND
ARSN 121 439 129

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Revenue

Rental income from operating leases is recognised as income on a straight-line basis over the lease term. Where a lease has fixed annual increases, the total rent receivable over the operating lease is recognised as revenue on a straight-line basis over the lease term. This results in more income being recognised early in the lease term and less late in the lease term compared to the lease conditions. The difference between the lease income recognised and actual lease payments received is included in receivables.

Interest income is recognised in profit or loss on a time basis using the effective interest rate method.

All income is stated net of the amount of goods and services tax (GST).

(c) Financial instruments

Financial assets and financial liabilities are recognised on the Fund's statement of financial position when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are recognised on trade-date – the date on which the Fund commits to sell or purchase the asset. Financial assets are derecognised when the right to receive cash flows from the financial asset have expired or have been transferred and the Fund has transferred substantially the risks and rewards of ownership. Financial instruments are designated on initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost. They are classified as current assets except where the maturity is greater than 12 months after the reporting date, in which case they are classified as non-current.

The Fund applies the AASB 9 *Financial Instruments* simplified approach to measuring expected credit losses which uses a lifetime expected credit loss for all trade receivables. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Any allowances for non-recoverable receivables are recognised in a separate allowance account. Any bad debts which have previously been provided for are eliminated against the allowance account. In all other cases bad debts are written off directly to profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include investments designated into this category. All investments are classified into this category as they are managed in accordance with the Fund's investment strategy as set out in the Product Disclosure Statement and their performance regularly evaluated on a fair value basis. The nature of the Fund's investments therefore satisfies the criteria to be designated into this category.

Financial assets at fair value through profit or loss are initially recognised at fair value excluding any transaction costs that are directly attributable to the acquisition of the asset. Transaction costs on financial assets at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognised in profit or loss.

KEY CAPITAL PROPERTY FUND
ARSN 121 439 129

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

Trade and other payables

These represent liabilities for goods and services provided to the Fund prior to the end of the financial year which are unpaid. Trade and other payables are recognised initially at fair value and subsequently at amortised cost.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Fund are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

The accounting policies adopted for specific financial liabilities and equity instruments are set out below:

Issued units

The Fund issues units which have a limited life under the Fund's constitution and are classified as equity in accordance with AASB 132 *Financial Instruments: Presentation* as amended by AASB 2008-2 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation*.

Should the terms or conditions of the units change such that they no longer comply with the criteria for classification as equity in the revised AASB 132, the units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability at the date of reclassification would be recognised in equity. Where the Fund buys back any of its units from unit holders, the consideration paid, including any directly attributable incremental costs are recognised as a reduction in equity attributable to the Fund's unit holders.

Borrowings

Interest-bearing loans and overdrafts are initially measured at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest rate method. Fees paid for establishing loan facilities are capitalised as prepayments for liquidity services and amortised over the period to which the facility relates. Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(d) Finance costs

Finance costs are recognised using the effective interest rate applicable to the financial liability.

(e) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

KEY CAPITAL PROPERTY FUND
ARSN 121 439 129

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Provisions

A provision is recognised when the Fund has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the Responsible Entity's best estimate of the expenditure required to settle the present obligation at the balance date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability (refer to Note 13). Provisions include asset disposal fees payable to the Responsible Entity upon the sale of the investment property.

(g) Income tax

Under current legislation the Fund is not liable for income tax provided its taxable income is fully distributed to unit holders.

(h) Critical judgements and significant accounting estimates

The preparation of financial statements requires the directors of the Responsible Entity to make judgments, 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.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(i) Fair value estimation

Investments in investment properties and financial assets at fair value through profit or loss are carried at values that are based on assumptions and estimates. If any of these assumptions or estimates were not correct this could have a material impact on the carrying amounts in the statement of financial position.

Recent volatility and uncertainty across global financial markets has resulted in significant reductions in market transactions used to support assumptions and estimates used within valuation techniques.

Information on the determination of the fair value of investment properties is included in Note 9 and financial assets at fair value through profit or loss at Note 10.

NOTE 2: ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

2.1 New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

The Fund has adopted all the new mandatory standards and interpretations for the current reporting period. The adoption of these standards and interpretations did not result in a material change on the reported results and position of the Fund, as they did not result in any changes to the Fund's existing accounting policies.

2.2 Standards and Interpretations in issue not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Fund. The directors do not believe the adoption of these standards and interpretations will result in a material change on the reported results and position of the Fund, as they will not result in any changes to the Fund's existing accounting policies.

KEY CAPITAL PROPERTY FUND
ARSN 121 439 129

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 3: FINANCIAL RISK MANAGEMENT

The Fund's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Fund is exposed to are market risk, credit risk and liquidity risk. The exposure to each of these risks, as well as the Fund's policies and processes for managing these risks are described below.

(a) Market risk

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and other price risk. The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The Fund's market risk is managed on an as required basis by the directors in accordance with the investment guidelines as outlined in the Fund's Product Disclosure Statement and Constitution.

(i) Currency risk

The Fund is not exposed to currency risk arising from any financial assets or financial liabilities as all transactions are denominated in Australian dollars.

(ii) Interest rate risk

The Fund's cash and cash equivalents expose it to a risk of change in their fair value or future cash flows due to changes in interest rates. The specific interest rate exposures are disclosed in the relevant notes to the financial statements.

The Fund does not have a formal interest rate risk management strategy as the directors have assessed that exposure to fluctuations in interest rates is not a significant risk for the Fund.

The Fund's exposure to interest rate risk at reporting date, including its sensitivity to changes in market interest rates that were reasonably possible, is as follows:

Instruments with cash flow risk:

	2023	2022
	\$	\$
Cash at bank	222,865	41,855
Bank loan	(3,735,000)	(2,708,121)
Total exposure to interest rate risk	<u>(3,512,135)</u>	<u>(2,666,266)</u>

Sensitivity of profit or loss to movements in market interest rates for instruments with cash flow risk:

- Market interest rates changed by \pm 50 basis points	<u>\pm17,561</u>	<u>\pm 13,331</u>
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The sensitivities above have been estimated based on an analysis of changes in interest rates over the past three years, and using the average to predict future movements. There is no change to this methodology from prior years.

KEY CAPITAL PROPERTY FUND
ARSN 121 439 129

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 3: FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (continued)

(iii) Price risk

The investments within the Fund are unlisted property securities. The risks the Fund is exposed to include, but are not limited to, exposure from different investment classes and geographical locations, and have been detailed in the product disclosure statement. The overall risk to exposures from investments is monitored and managed at a Responsible Entity level, and policies are set which each individual fund complies with. The framework of the composition of the securities held by the Fund is in line with Responsible Entity policies and is set out in the product disclosure statement at the time of initial offering of units.

The Fund is exposed to price risk on its deferred asset disposal fees. The deferred asset disposal fees are calculated and recognised based on the underlying changes in the price of the investment properties. Changes in the value of the investment property will directly affect the amounts recognised. Investment property and the associated price risk is actively managed and monitored by the directors, using strategy developed by methodical asset planning and Fund budgeting processes.

The Fund's exposure to price risk at reporting date is shown below:

	2023	2022
	\$	\$
<i>Investments in:</i>		
Unlisted property funds – local	395,922	-
<i>Financial Liabilities:</i>		
Deferred asset disposal fees	(113,000)	(105,000)
Total exposure to price risk	<u>282,922</u>	<u>(105,000)</u>
 <i>Reasonably possible changes in prices or fair values:</i>		
Unlisted property funds – local	±5%	-
Changes in property values (deferred asset disposal fees)	±5%	±5%
 <i>Sensitivity of profit or loss to changes in fair values:</i>		
Unlisted property funds – local	±19,780	-
Deferred asset disposal fees	±5,650	±\$5,250

The sensitivities above have been estimated based on an analysis of changes in property prices over the last three years, and using the average to predict future increases. There is no change in this methodology from prior periods.

KEY CAPITAL PROPERTY FUND
ARSN 121 439 129

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 3: FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Credit risk is the risk that a party to the financial instrument will cause a financial loss to the Fund by failing to discharge an obligation. The Fund is exposed to credit risk through the financial assets listed below. The table also details the maximum exposure to credit risk for each class of financial instrument.

Cash at bank	222,865	41,855
Other receivables	-	-
Maximum exposure to credit risk	222,865	41,855

The Fund manages credit risk and the losses which could arise from default by ensuring that parties to contractual arrangements are of an appropriate credit rating, or do not show a history of defaults. Financial assets such as cash at bank are held with reputable organisations. Tenants for each of the properties held by the Fund are assessed for creditworthiness before commencing a lease, and if necessary rental guarantees are sought before tenancy is approved. The directors also perform detailed reviews of both related and other parties before approving advancement of funds. This is performed to ensure that they will be able to meet repayments. There have been no changes from previous periods.

All receivables are monitored by the directors on a regular basis. The Fund applies the AASB 9 *Financial Instruments* simplified approach to measuring expected credit losses which uses a lifetime expected credit loss for all trade receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Fund, and failure to make payment.

KEY CAPITAL PROPERTY FUND
ARSN 121 439 129

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 3: FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

The Fund monitors its exposure to liquidity risk by ensuring there is sufficient cash on hand to meet the contractual obligations of financial liabilities as they fall due. The directors set budgets to monitor cash flows and refinancing of any borrowing facilities. There have been no changes from previous periods.

The maturity of financial liabilities at reporting date are shown below, based on the contractual terms of each liability in place at reporting date. The amounts disclosed are based on undiscounted cash flows.

	Less than 12 months	1 – 5 Years	Total contractual cash flows	Carrying Amount Liabilities
	\$	\$	\$	\$
2023				
Liabilities				
Non-interest bearing payables	76,861	-	76,861	76,861
Variable interest rate borrowings	233,438	4,124,063	4,357,501	3,735,000
Deferred Asset Disposal Fee	-	113,000	113,000	113,000
Total	<u>310,299</u>	<u>4,237,063</u>	<u>4,547,362</u>	<u>3,924,861</u>
2022				
Liabilities				
Non-interest bearing payables	196,688	-	196,688	196,688
Variable interest rate borrowings	2,770,408	-	2,770,408	2,708,121
Deferred Asset Disposal Fee	-	105,000	105,000	105,000
Total	<u>2,967,096</u>	<u>105,000</u>	<u>3,072,096</u>	<u>3,009,809</u>

The facility expires in March 2026.

(d) Fair value

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

**KEY CAPITAL PROPERTY FUND
ARSN 121 439 129**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 3: FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value (continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair value, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

The only financial asset or liability held at fair value is the financial assets at fair value through profit or loss which would be considered a Level 2 investment as detailed in Note 10. The fair value of these assets is \$395,922 (2022: \$Nil).

(i) Reconciliation of movements in Level 2

2022

	Unlisted unit trusts	Total
	\$	\$
Opening balance	-	-
Purchase of units	-	-
Fair value movement	-	-
Closing balance	-	-

2023

	Unlisted unit trusts	Total
	\$	\$
Opening balance	-	-
Purchase of units	395,922	395,922
Fair value movement	-	-
Closing balance	395,922	395,922

The level 2 unlisted equity securities consist of units held in unlisted property unit trusts. The valuation model technique for unlisted property unit trusts is determined by reference to the underlying investment properties and other net assets, with other adjustments where necessary. The valuation basis is discussed in further detail in Note 9. Sensitivity to changes in fair value of investment properties held by the Trusts has been estimated in Note 3(a)(iii).

KEY CAPITAL PROPERTY FUND
ARSN 121 439 129

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
	\$	\$
NOTE 4: REVENUE		
Revenue includes:		
(a) Property rental from:		
Base rent	265,318	91,622
Recoverable outgoings	-	1,627
	265,318	93,249
(b) Interest and other income arises from:		
Cash and cash equivalents	17,686	-
	17,686	-
NOTE 5: EXPENSES		
Profit includes the following expenses:		
Legal fees	6,467	29,320
	6,467	29,320
NOTE 6: FINANCE COSTS		
Interest paid or payable to other persons	254,457	92,571
Interest paid or payable to related entities	6,000	34,260
	260,457	126,831
NOTE 7: CASH AND CASH EQUIVALENTS		
Cash at bank	222,865	41,855
	222,865	41,855

Cash carries a weighted average effective interest rate of 0.0% (2022: 0.0%).

KEY CAPITAL PROPERTY FUND
ARSN 121 439 129

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
	\$	\$
NOTE 8: TRADE AND OTHER RECEIVABLES		
CURRENT		
Prepayments	24,716	12,999
Other receivables	-	-
	24,716	12,999
	24,716	12,999

Receivables are non-interest bearing and are not past due at the reporting date. There are no receivables where the fair value would be materially different from the current carrying value.

The Fund reviews all receivables for impairment. Any receivables which are doubtful have been provided for. Based on past experience all receivables where no impairment has been recognised are not considered to be impaired.

No other class of financial asset are past due.

NOTE 9: INVESTMENT PROPERTIES

(a) Investment properties are represented by:

Directors' valuation – 'As If Complete'	-	10,500,000
Costs to complete	-	(2,624,214)
Directors' valuation	11,377,175	-
	11,377,175	7,875,786
	11,377,175	7,875,786

(b) Movements during the financial year:

Opening balance	7,875,786	4,315,280
Capitalised expenditure	2,937,321	708,500
Changes in fair value of investment properties	564,068	2,852,006
Closing balance	11,377,175	7,875,786
	11,377,175	7,875,786

(c) Amounts recognised in profit and loss for investment properties

Rental income	265,318	93,249
Direct operating expenses from properties that generated rental income	(101,347)	(66,512)
	163,971	26,737
	163,971	26,737

All direct property operating expenses related to those that generated rental income during the period.

**KEY CAPITAL PROPERTY FUND
ARSN 121 439 129**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

2023	2022
\$	\$

NOTE 9: INVESTMENT PROPERTIES (Continued)

(d) Valuation basis

The basis of the valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The determination of fair value was mainly based on the present value of net future cash flows and the capitalisation of net rental income for the Bellerive property although regard was also given to recent market transactions for similar properties in similar locations as the Fund's investment properties. The determination of fair value for the Wangaratta properties was based on the market comparable method.

The present value of net future cash flow projections are based on reliable estimates of future cash flows, derived from existing lease contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows. The capitalisation of net rental income projections are based on properties' estimated net market income, which is assumed to be a level annuity in perpetuity, and a capitalisation rate derived from analysis of market evidence. Reversions associated with short-term leasing risks/costs, incentives and capital expenditure may be deducted from the capitalised net income amount.

The valuations were determined by directors of the Responsible Entity as follows.

The key inputs into the valuation are based on market inputs made with reference to comparable properties. Properties are located in markets with evidence to support valuation inputs and methodology. The independent valuers and directors have experience in valuing similar assets and have access to market evidence to support their conclusions. Comparable assets are considered those in similar markets and condition. Investment properties have been classified as Level 2 in the fair value hierarchy (refer also Note 3 (d)). There have been no transfers between the levels in the fair value hierarchy during the year.

- (i) The property located at 10 Percy Street, Bellerive was last independently valued by Knight Frank in February 2022, as follows; 'As Is' - \$4,850,000, 'As If Complete' - \$10,500,000.

KEY CAPITAL PROPERTY FUND
ARSN 121 439 129

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

2023	2022
\$	\$

NOTE 9: INVESTMENT PROPERTIES (Continued)

(e) Capital commitments

The Fund has \$Nil estimated capital commitments at 30 June 2023 (2022: \$2,624,214).

(f) Uncertainty around property valuations

Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

The current lack of comparable market evidence relating to pricing assumptions and market drivers means that there is less certainty in regard to valuations and the assumptions applied to valuation inputs. The period of time needed to negotiate a sale in this environment may also be significantly prolonged.

The fair value of investment property has been adjusted to reflect market conditions at the end of the reporting period. Whilst this represents the best estimates of fair value as at the balance date, the current market uncertainty means that if investment property is sold in future the price achieved may be higher or lower than the most recent valuation, or higher or lower than the fair value recorded in the financial statements.

(g) Assets pledged as security

Refer to Note 13 for information on investment properties and other assets pledged as security by the Fund.

**KEY CAPITAL PROPERTY FUND
ARSN 121 439 129**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

	2023	2022
	\$	\$

NOTE 10: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Units in unlisted property trusts managed by the Responsible Entity or its affiliates - at directors' valuation	395,922	-
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(a) Valuation basis

Unlisted securities are not traded in active markets. Units are measured at fair value and determined by reference to the underlying properties and other net assets of the trusts. The method of valuation of investment properties held by the trusts is determined by the method outlined in Note 9.

In assessing the fair value of investments held in schemes managed by the Responsible Entity or its affiliates, the unit price is determined by the entity's net assets adjusted for contribution and establishment fees and other adjustments where necessary. This methodology is consistent to that used by the Responsible Entity to issue units in the Fund to the general public.

(b) Uncertainty around fair value estimation of unlisted investments

The fair value of unlisted investments is the price at which units could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market.

As unlisted investments are not traded in active markets fair value is determined using recent sales evidence or other valuation techniques at the reporting date.

The Responsible Entity has established a unit pricing policy that has been demonstrated to provide reliable estimates of prices used regularly in actual market transactions. This policy values units by reference to the Fund's net assets, adjusted for transaction costs (the costs when assets in the Fund are bought and sold), derivative instruments, and other adjustments as outlined within the product disclosure statement of the Fund.

This policy has been reviewed in the context of the current economic climate and the directors believe this to be the best estimate of fair value at balance date.

Whilst the directors have determined this is the best estimate of fair value, the current market uncertainty means that if units are sold in the future, the price achieved may be higher or lower than the fair value recorded in the financial statements.

KEY CAPITAL PROPERTY FUND
ARSN 121 439 129

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
	\$	\$
NOTE 11: OPERATING LEASE ARRANGEMENTS		
Investment properties are leased to tenants under long-term operating leases with rentals generally payable monthly. Future minimum lease payments receivable on leases of investment properties are as follows:		
Not later than 12 months	525,097	153,925
Between 12 months and 5 years	2,674,208	696,607
Greater than 5 years	1,750,407	-
	4,949,712	850,532

NOTE 12: TRADE AND OTHER PAYABLES

CURRENT

Unsecured liabilities:

Sundry creditors and accruals	76,861	196,688
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Payables are non-interest bearing.

NOTE 13: INTEREST-BEARING LIABILITIES

CURRENT

Secured liabilities:

Bank loan	3,671,929	2,708,121
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NON-CURRENT

Secured liabilities:

Bank loan	-	-
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The bank loan at 30 June 2023 is \$3,671,929 (total facility \$3,735,000) less net unamortised borrowing facility costs of \$63,071.

The bank loan has a weighted average effective interest rate of 6.25% at reporting date (2022: 3.04%)

The facility expires in March 2026.

(a) Fair value

The fair value of the bank loan has been assessed and is not significantly different from the carrying value.

The fair value has been calculated based on repayment dates and discounted at market rates.

There are no other financial liabilities where the fair value would be materially different to the amortised cost.

KEY CAPITAL PROPERTY FUND
ARSN 121 439 129

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
	\$	\$
NOTE 13: INTEREST-BEARING LIABILITIES (CONTINUED)		
(b) Assets pledged as security		
The loan is secured by a registered first mortgage over the investment properties.		
The carrying amounts of assets pledged as security are:		
Investment properties	11,377,175	7,875,786
(c) Financing arrangements		
<i>Loan facilities</i>		
Total facilities:		
Bank loan	5,460,000	5,460,000
Facilities utilised at balance date:		
Bank loan	3,735,000	2,708,121

The Bank loan is subject to annual review.

The covenants over the bank borrowings require:

Interest Cover Ratio

- Must ensure that at all times the Interest Cover Ratio is not less than 1.50 times, where:
 - Interest Cover Ratio = aggregate net passing rental income from all leases / Gross Interest Expense; and
 - Gross Interest Expense means all gross interest expenses including any outgoings in the nature of interest, including discount and acceptance fees and capitalised interest for that period.

Loan Value Ratio

- Must ensure that at all times the Total Amount Owing under the Facility does not exceed 55% of the value of the Properties (as determined by the Lender from time to time using as a guide the latest valuation acceptable to the Lender) (LVR).

KEY CAPITAL PROPERTY FUND
ARSN 121 439 129

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	2023 \$	2022 \$
NOTE 14: PROVISIONS		
Asset disposal fees	113,000	105,000

The provision for asset disposal fees relates to amounts payable to the Responsible Entity upon the sale of the investment property. The amount payable is based on a percentage of the property sale price. The provision is being recognised on a timely basis once the investment has been acquired to reflect the service provided by the Responsible Entity. There is an amount of uncertainty as to when the property will be sold and the sale price.

Movements during the financial year:		
Opening balance	105,000	85,000
Charged to the statement of comprehensive income:		
- Provision made during the period	8,000	20,000
Closing balance	113,000	105,000

NOTE 15: EQUITY

(a) Issued capital

Opening - 14,102,174 ordinary units (2022: 14,102,174)	10,577,528	10,577,528
Units Issued -14,414,096 ordinary units (2022: Nil)	4,957,721	-
Units Redeemed - 4,243,174 ordinary units (2022: Nil)	(1,437,910)	-
Closing - 24,273,096 ordinary units (2022: 14,102,174)	14,097,339	10,577,528

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

(b) Distributions paid to Unitholders

The distributions for the financial year were:

Distributions paid	400,835	196,962
	Cents	Cents
Cents per unit	2.19	1.40

KEY CAPITAL PROPERTY FUND
ARSN 121 439 129

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

2023 2022
\$ \$

NOTE 15: EQUITY (Continued)

(c) Capital management

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

The Fund regards total equity as its capital. The objective of the Fund is to provide unitholders with regular partly tax-advantaged income distributions over the life of the Fund and moderate capital growth over the longer term. The Fund aims to achieve this objective mainly through investing in medium to high quality Australian commercial property.

The Fund invests directly in commercial property.

The Fund aims to invest to meet the Fund's investment objectives while maintaining sufficient liquidity to meet its commitments. The directors of the Responsible Entity regularly review the performance of the Fund, including asset allocation strategies, investment and operational management strategies, investment opportunities, performance review, and risk management.

NOTE 16: RELATED PARTY TRANSACTIONS

Responsible Entity

The Responsible Entity of Key Capital Property Fund is Key Capital Limited.

Responsible Entity's fees and other transactions

Under the terms of the constitution, the Responsible Entity is entitled to receive fees in accordance with the product disclosure statement.

Fees for the year paid/payable by the Fund:

Management of the Fund (Key Capital Limited)	93,382	37,721
Asset disposal fee	8,000	20,000
Finance Facility fee	32,760	22,260
Rollover fee (ii)	-	216,428
Capital works fee/Asset Acquisition fee	139,255	34,820

Amounts Receivable:

Aggregate amounts paid in advance to the Responsible Entity at reporting date	-	-
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Amounts Payable:

Disposal fee	113,000	105,000
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KEY CAPITAL PROPERTY FUND
ARSN 121 439 129

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	2023 \$	2022 \$
NOTE 16: RELATED PARTY TRANSACTIONS (Continued)		
Transactions and balances with companies which are associated with the Responsible Entity or its affiliates		
Fees for the year paid/payable by the Fund:		
Accounting fees (Figureworks Pty Ltd) (i)	16,000	12,000
Mortgage broking fees (Property Partners Invest Pty Ltd) (i)	6,000	12,000
Management of the Properties (Retail Leisure Life) (i)	711	5,323
Leasing fees (Retail Leisure Life) (i)	23,265	55,000
Amounts Payable:		
Other payables	8,793	112,807

(i) Entities associated with one or more of the directors.

Unitholdings

The Responsible Entity held units in the Fund as follows:

Key Capital Limited

Number of Units held	-	116,073
Interest % held	-	0.82%
Distributions paid/payable from the Fund	432	1,621

(ii) During the prior year a rollover fee was paid to the responsible entity. In order to calculate the rollover fee the directors of the responsible entity undertook various discussions with their legal team. As part of this the following key assumptions were applied by the directors in determining the responsible entities entitlement:

- Notwithstanding that a previous rollover date had occurred this was the first occurrence of a rollover fee being calculated. The responsible entity was entitled to a rollover fee at each of the previous rollovers being in December 2012 and December 2017, but elected not to take this fee at that time. This was confirmed through legal advice.
- The responsible entity was entitled to a rollover fee of 2% of the gross asset value of the Fund.
- The rollover fee was calculated based on the directors determining the gross assets of the Fund at \$10,801,006, this incorporated an 'As If Complete' valuation of the investment property of \$10,500,000 (compared to the 'AS IS' carrying value of the investment of \$4,850,000).

**KEY CAPITAL PROPERTY FUND
ARSN 121 439 129**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

	2023	2022
	\$	\$
NOTE 16: RELATED PARTY TRANSACTIONS (Continued)		
Transactions and balances with companies which are associated with the Responsible Entity or its affiliates		
Other Director Related Entities held units in the Fund as follows:		
<u>Entities & individuals associated with Mr. George Nikakis</u>		
Number of Units held	565,603	1,337,500
Interest % held	2.3%	9.5%
Distributions paid/payable from the Fund	5,988	18,681
<u>Entities & individuals associated with Mr. Stephen Nicholls</u>		
Number of Units held	970,604	1,337,500
Interest % held	4.0%	9.5%
Distributions paid/payable from the Fund	13,341	18,681
<u>Entities & individuals associated with Mr. James Permezel</u>		
Number of Units held	1,314,000	1,314,000
Interest % held	5.4%	9.3%
Distributions paid/payable from the Fund	28,744	18,353
<u>Key Capital Limited ATF Retail Leisure & Life Trust[^]</u>		
Number of Units held	-	39,927
Interest % held	-	0.3%
Distributions paid/payable from the Fund	148	558

[^] Entity associated with Mr. Stephen Nicholls and Mr. George Nikakis

Transactions and balances with trusts which are managed by the Responsible Entity or its affiliates

<u>Key Capital Retail Fund No.9</u>		
Number of Units held	347,300	-
Interest % held	11.57%	-
Distributions paid/payable from the Fund	-	-

KEY CAPITAL PROPERTY FUND
ARSN 121 439 129

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
	\$	\$

NOTE 16: RELATED PARTY TRANSACTIONS (Continued)

Key management personnel

The Fund does not employ personnel in its own right. However, it has an incorporated Responsible Entity, Key Capital Limited, to manage the activities of the Fund. The directors of the Responsible Entity are key management personnel of that entity and their names are James D Permezel, Stephen Nicholls and George Nikakis. No compensation is paid directly by the Fund to directors or to any of the key management personnel of the Responsible Entity. Payments made by the Fund to the Responsible Entity do not specifically include any amounts attributable to the compensation of key management personnel.

NOTE 17: CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash at bank	222,865	41,855
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(b) Reconciliation of cash flows from operating activities with profit for the year

Profit for the year	119,081	2,285,199
Adjustments for:		
Net changes in fair value of investment properties	(564,068)	(2,852,006)
Changes in assets and liabilities:		
(Increase)/decrease in assets:		
Trade and other receivables	(11,717)	9,043
Increase/(decrease) in liabilities:		
Trade and other payables/unamortised borrowing costs	(182,898)	56,060
Provision for asset disposal fees	8,000	20,000
Cash flows from operating activities	(631,602)	(481,704)

(c) Non-cash financing and investing activities

Nil.

**KEY CAPITAL PROPERTY FUND
ARSN 121 439 129**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

	2023	2022
	\$	\$
NOTE 18: REMUNERATION OF AUDITORS		
Remuneration of the auditor for:		
Audit or review of financial report	15,970	11,900
Other services:		
Audit or review of financial report	5,000	3,735
Other auditors:		
Audit of compliance plan	3,000	2,655

NOTE 19: CONTINGENCIES

There are no material contingent liabilities as at 30 June 2023.

NOTE 20: EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected 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.

NOTE 21: RESPONSIBLE ENTITY DETAILS

The registered office and the principal place of business of the Responsible Entity is:
Office 15
1 East Ridge Drive
CHIRNSIDE PARK VIC 3116

**KEY CAPITAL PROPERTY FUND
ARSN 121 439 129**

DIRECTORS' DECLARATION

In the opinion of the directors of the responsible entity:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2023 and of its performance for the financial year ended on that date,
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable, and
- (c) Note 1 confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



**George Nikakis
Director**

Melbourne, 28 September 2023

Independent Auditor's Report to the Unitholders of Key Capital Property Fund

Opinion

We have audited the financial report, of Key Capital Property Fund (the Fund), which comprises the statement of financial position as at 30 June 2023, 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 directors' declaration.

In our opinion, the accompanying financial report 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 2023 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 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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Fund, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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

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

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

Auditor's Responsibilities for the Audit of the financial report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment 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.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

Daniel Allison & Associates Assurance

DANIEL ALLISON & ASSOCIATES ASSURANCE
Chartered Accountants



Paul Carr
Partner
Melbourne, 28 September 2023