

Key Capital Retail Fund No.9  
as at 30 June 2022

ARSN 635 964 804

**KEY CAPITAL LIMITED  
RESPONSIBLE ENTITY REPORT  
FOR THE YEAR ENDED 30 JUNE 2022**

The Directors of Key Capital Limited (the "Responsible Entity"), present their report on Key Capital Retail Fund No.9 ("the Fund") for the year ended 30 June 2022.

**1. Directors of the Responsible Entity**

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 2022 was \$160,732 (2021: \$1,151,612 profit).

**4. Distributions Paid or Recommended**

Distributions paid or declared for payment for the year ending 30 June 2022 were \$225,000 (2021: \$2,168,364)

	2022		2021	
	\$	Average Cents	\$	Average Cents
Total distributions paid	225,000	7.50	2,168,364	72.28

**5. Review of Operations**

During the year ended 30 June 2022 the Fund continue to undertake its principal activities as outlined above.

**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.

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**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 11 "Related Party Transactions".

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

At 30 June 2022 the Responsible Entity and its related parties held 594,225 units (2021: 660,100) in the Fund, as detailed in Note 11 on Related Parties Transactions.

**15. Interests Issued in the Fund**

During the year nil additional units were issued (2021: 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 prior 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 \$4,878,787 (2021: \$5,251,950). The methodology utilised in valuing the assets is detailed in the notes to the financial statements.

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**18. Number of Interests on Issue**

At 30 June 2022, the number of units issued in the Fund was 3,000,000 units (2021: 3,000,000). 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:

A handwritten signature in blue ink, appearing to be 'G. Nikakis', is written over a faint, illegible stamp or watermark.

**George Nikakis  
Director**

Date: 29 September 2022

The Board of Directors  
Key Capital Limited  
Unit 1  
13 Old Lilydale Rd  
Ringwood East  
VIC 3135

29 September 2022

Dear Board Members

**Key Capital Retail Fund No.9**

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 Property Limited, the Responsible Entity of Key Capital Retail Fund No.9.

As lead audit partner for the audit of the financial statements of Key Capital Retail Fund No.9 for the financial year ended 30 June 2022, 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 RETAIL FUND NO.9**  
**ARSN 635 964 804**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2022**

	Notes	2022 \$	2021 \$
<b>Revenue and other income</b>			
Property revenue	2	339,000	340,077
Interest income		4	-
<b>Total revenue and other income</b>		<b>339,004</b>	<b>340,077</b>
<b>Expenses</b>			
Property expenses		97,135	86,517
Finance costs	3	54,717	74,629
Responsible entity's fees - Management		24,737	27,438
Responsible entity's fees - Exit fees		500	62,000
Custodian fee		15,000	15,000
Other expenses		36,183	41,851
<b>Total expenses</b>		<b>228,272</b>	<b>307,435</b>
<b>Other gains/losses</b>			
Net gain in fair value on sale of investment properties	6	-	876,869
Net changes in fair value of investment properties	6	50,000	242,101
<b>Net gains from other items</b>		<b>50,000</b>	<b>1,118,970</b>
<b>Profit for the year</b>		<b>160,732</b>	<b>1,151,612</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>160,732</b>	<b>1,151,612</b>

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

**KEY CAPITAL RETAIL FUND NO.9**  
**ARSN 635 964 804**

**STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2022**

	Notes	2022 \$	2021 \$
<b>Current assets</b>			
Cash and cash equivalents	4	18,043	441,443
Trade and other receivables	5	10,744	10,507
<b>Total current assets</b>		<b>28,787</b>	<b>451,950</b>
<b>Non-current assets</b>			
Investment properties	6	4,850,000	4,800,000
<b>Total non-current assets</b>		<b>4,850,000</b>	<b>4,800,000</b>
<b>Total assets</b>		<b>4,878,787</b>	<b>5,251,950</b>
<b>Current liabilities</b>			
Trade and other payables	7	30,395	140,123
Interest-bearing loans and borrowings	8	-	-
<b>Total current liabilities</b>		<b>30,395</b>	<b>140,123</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	8	1,787,889	1,987,556
Provisions	9	48,500	48,000
<b>Total non-current liabilities</b>		<b>1,836,389</b>	<b>2,035,556</b>
<b>Total liabilities</b>		<b>1,866,784</b>	<b>2,175,679</b>
<b>Net assets</b>		<b>3,012,003</b>	<b>3,076,271</b>
<b>Equity</b>			
Issued units	10	2,945,477	2,945,477
Retained Earnings		66,526	130,794
<b>Total equity</b>		<b>3,012,003</b>	<b>3,076,271</b>

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

**KEY CAPITAL RETAIL FUND NO.9**  
**ARSN 635 964 804**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2022**

	<b>Issued Capital</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Equity as at 1 July 2021</b>	2,945,477	130,794	3,076,271
Profit for the year	-	160,732	160,732
Total comprehensive income for the year	-	160,732	160,732
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Distributions paid	-	(225,000)	(225,000)
<b>Equity as at 30 June 2022</b>	<b>2,945,477</b>	<b>66,526</b>	<b>3,012,003</b>
<b>Equity as at 1 July 2020</b>	2,945,477	1,147,546	4,093,023
Profit for the year	-	1,151,612	1,151,612
Total comprehensive income for the year	-	1,151,612	1,151,612
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Distributions paid	-	(2,168,364)	(2,168,364)
<b>Equity as at 30 June 2021</b>	<b>2,945,477</b>	<b>130,794</b>	<b>3,076,271</b>

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



**KEY CAPITAL RETAIL FUND NO.9**  
**ARSN 635 964 804**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

	Notes	2022 \$	2021 \$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		339,000	392,868
Cash payments to suppliers		(171,532)	(153,141)
Finance costs		(59,669)	(79,581)
Interest received		4	-
<b>Net cash flows from operating activities</b>	4	<b>107,803</b>	<b>160,146</b>
<b>Cash flows from investing activities</b>			
Payments for investment properties		-	(4,557,899)
Exit fees paid		-	(81,000)
Receipts from sale of investment properties		-	7,576,869
<b>Net cash flows from investing activities</b>		<b>-</b>	<b>2,937,970</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(194,715)	(615,000)
Proceeds from borrowings		-	-
Distributions paid to unitholders		(336,488)	(2,056,876)
<b>Net cash flows from financing activities</b>		<b>(531,203)</b>	<b>(2,671,876)</b>
<b>Net cash flows</b>		<b>(423,400)</b>	<b>426,240</b>
Cash and cash equivalents at the beginning of year		441,443	15,203
<b>Cash and cash equivalents at the end of year</b>	4	<b>18,043</b>	<b>441,443</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**Note 1: Basis of preparation and new accounting pronouncements**

**Note 1.1 Basis of preparation**

***Reporting entity***

The financial statements are for the entity Key Capital Retail Fund No.9 (“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.

The COVID-19 pandemic creates uncertainty on global and local financial markets and it effects the ability of impacted tenants to meet their rental obligations. The Fund has completed an extensive assessment on trade receivables and the directors remain confident that the Fund will be able to continue as a going concern.

***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 29 September 2022.

***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.

***Functional and presentation currency***

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

***Use of estimates, assumptions and judgements***

In the application of the Fund’s accounting policies, the Responsible Entity is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The judgements, estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The key estimates and judgements in the financial report relate to:

- Investment properties – Note 6
- Asset disposal fees – Note 9

Judgements made by the Responsible Entity that have significant effects on the financial statements and estimates with significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**Note 1: Basis of preparation and new accounting pronouncements (Continued)**

**Note 1.1 Basis of preparation (Continued)**

**Segment Reporting**

The Fund operates in one segment, being investments in Australian commercial property. The Fund has determined its one operating segment based on the internal information that is provided to the chief operating decision maker and which is used in making strategic decisions. The Responsible Entity has been identified as the Fund's chief operating decision maker.

**1.2 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.

**1.3 Standards and Interpretations in issue not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 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 RETAIL FUND NO.9**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**Note 2: Revenue**

	2022 \$	2021 \$
Base rent	339,000	340,077
Recoverable outgoings	-	-
Straight line rental	-	-
	339,000	340,077

***Recognition and measurement***

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured.

***Rental Income***

Rental income from investment property is recognised in profit or loss on a straight line basis over the term of the lease. Rental income not received at reporting date is reflected in the statement of financial position as a receivable. If rents are paid in advance these amounts are recorded as payables in the statement of financial position.

Lease incentives granted are recognised as an integral part of the net consideration agreed for the use of the leased premises, irrespective of the incentive's nature or form of the timing of payments. The aggregate cost of lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term.

Contingent rents based on the future amount of a factor that changes other than with the passage of time are only recognised when charged.

***Recoverable Outgoings***

The Fund recovers the costs associated with the general building and tenancy operation from lessees in accordance with the specific clauses in the lease agreements. These are invoiced monthly based on an annual estimate.

***Interest Revenue***

Interest revenue is accrued on a time basis, by reference to the principal outstanding using the effective interest rate method.

***Sale of Properties***

Any gain or loss on the sale of an investment property is recognised when the control of the asset is passed to the buyer, which normally coincides with the settlement of the contract of sale.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022

**Note 3: Expenses**

***Recognition and measurement***

Finance costs are recognised in the profit or loss statement as they accrue. Finance costs are recognised using the effective interest rate applicable to the financial liability.

*Finance Costs*

Finance costs include interest expense and amortised borrowing costs.

	2022 \$	2021 \$
Interest expense	49,384	53,593
Amortisation of borrowing costs	5,333	21,036
	54,717	74,629

*Other expenses*

All other expenses, including rates, taxes and other property outgoings and management fees, are recognised in profit or loss on an accruals basis. Other operating expenses include legal, accounting and audit fees.

*Goods and services tax*

Revenues, expenses and assets are recognised exclusive of goods and services tax ("GST") which is recoverable from the Australian Taxation Office ("ATO") as an input tax credit ("ITC").

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included in receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows with the amount of GST included. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified as operating cash flows.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**Note 4: Cash and cash equivalents**

	2022 \$	2021 \$
Cash and cash equivalents	18,043	441,443

**Reconciliation of profit before distribution to unitholders  
to the net cash flows from operating activities:**

Profit for the year	160,732	1,151,612
Net changes in fair value of investment properties	(50,000)	(1,118,970)
Property disposal fees	500	62,000
Decrease/(increase) in receivables and prepayments	(5,189)	64,500
(Decrease)/increase in payables	1,760	1,004
<b>Net cash flows from operating activities</b>	<b>107,803</b>	<b>160,146</b>

**Recognition and measurement**

Cash in the statement of financial position, and for the purposes of the statement of cash flows, comprises cash at bank and short term deposits. Cash at bank earns interest at floating interest rates based on daily bank deposit rates.

**Note 5: Trade and other receivables**

Other receivables	-	-
Prepayments	10,774	10,507
	10,774	10,507

Refer to Note 13 for details on fair value measurement and the Funds exposure to risks associated with financial assets (other receivables are not considered to be financial assets).

**Recognition and measurement**

Loans and receivables are initially recognised at fair value and subsequently amortised cost using the effective interest rate method less any allowance under the expected credit loss model ("ECL").

**Recoverability of loans and receivables**

At each reporting period the Fund assesses whether the financial assets carried at amortised cost are 'credit-impaired'. A financial asset is credit-impaired when one or more events that has a detrimental impact on the estimated future cash flows of the asset have occurred.

The Fund recognises loss allowances at an amount equal to lifetime ECL on trade and other receivables. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Lifetime ECL's are the ECL's that result from all possible default events over the expected life of the trade receivables and are a probability-weighted estimate of credit losses. Credit losses are measured at the difference between the cash flows due to the Fund in accordance with the contract and the cash flows that the Fund expects to receive.

The COVID-19 pandemic has created volatility on the global financial market and some impacted tenants may not be able to meet their rental obligations. The Responsible Entity has continued to analyse the age of outstanding receivable balances post balance sheet date and applied estimated percentages of recoverability as a means to estimate ECL, as well as the financial stress of the counterparties and their ability to continue as a going concern. Debts that are known to be uncollectable are written off when identified.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**Note 6: Investment Properties**

	2022 \$	2021 \$
<b>Opening balance</b>	4,800,000	6,700,000
Acquisitions	-	4,557,899
Capital expenditure	-	-
Lease incentives and leasing costs	-	-
Amortisation of lease incentives and leasing costs	-	-
Straight lining of revenue adjustment	-	-
Disposals	-	(8,100,000)
Realised gains on disposal of investment properties	-	1,400,000
Changes in fair value of investment properties	50,000	242,101
<b>Closing balance – Directors Valuation</b>	<b>4,850,000</b>	<b>4,800,000</b>

The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$nil (2021: \$nil).

**Leases as lessor**

The Fund leases out its investment properties under operating leases. The Fund has determined that it retains all the significant risks and rewards of ownership of these properties and has therefore classified the leases as operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

Less than one year	328,629	347,458
Between one and five years	1,141,491	652,625
More than five years	-	168,750
	<b>1,470,120</b>	<b>1,168,833</b>

Property	Fair Value		Capitalisation Rate		Last Independent Valuer/Date	Last Independent Valuation \$
	2022 \$	2021 \$	2022 %	2021 %		
139-143 Hobart Road, Kingsmeadows	4,850,000	4,800,000	6.50%	7.50%	Knight Frank Jul 2022	4,800,000

**Disposals**

During the prior year the Fund disposed of the property at 7 Baker St, Wangaratta. The sale price of the property was \$8,100,000. The carrying value of the property at 30 June 2020 was \$6,700,000, resulting in a gain on sale of \$1,400,000, or \$876,869, net of associated sales costs of \$523,131.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**Note 6: Investment Properties (Continued)**

**Recognition and measurement**

Investment properties are properties held to either earn rental income or for capital appreciation or for both. Investment properties are initially recorded at cost which includes stamp duty and other transaction costs. Subsequently, the investment properties are measured at fair value with any change in value recognised in profit or loss. The carrying amount of investment properties includes components relating to deferred rent, lease incentives and leasing fees.

An investment property is derecognised upon disposal. Any gain or loss arising on the derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

**Valuation techniques and significant unobservable inputs**

The fair values of investment properties were determined by the directors of the Responsible Entity or by an external, independent valuation company having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Given the changing economic conditions as a result of the COVID-19 pandemic, there is uncertainty surrounding the potential impact on future cashflows and valuations.

The valuations were prepared by considering the following valuation methodologies:

- Capitalisation Approach – The annual net rental income is capitalised at an appropriate market yield to arrive at the property's market value. Appropriate capital adjustments are then made where necessary to reflect the specific cash flow profile and the general characteristics of the property.
- Discounted Cash Flow Approach – Future annual cash flows are estimated over a 10 year period by reference to expected rental growth rates, ongoing capital expenditure, terminal sale value and acquisition and disposal costs. The present value of future cash flows is then determined by the application of an appropriate discount rate to derive a net present value for the property.
- Direct Comparison Approach – Comparable sales on a dollar per square metre of lettable area basis are determined and compared against the equivalent rates to the property being valued to determine the property's market value.

**Fair value measurement**

The fair value measurement of investment property has been categorised as a level 3 fair value as it is derived from valuation techniques that include inputs that are not based on observable market data (unobservable inputs).

Significant unobservable input	Valuation input value		Impact on fair values	
	2022	2021	Increase input	Decrease input
Capitalisation rate	6.50%	7.50%	Decrease	Increase

While the current economic climate and the impacts of COVID-19 pandemic in the medium to long term are still uncertain, the assessment undertaken by the independent and directors' valuations to determine the fair value of the Fund's portfolio considers the impact of COVID-19.

The fair value assessment of the Fund's portfolio at the reporting date includes the best estimate of the impacts of the COVID-19 pandemic using information available at the time of the preparation of the financial statements and includes forward looking assumptions. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may impact the fair value of the Fund's portfolio.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022

**Note 7: Trade and other payables**

	2022	2021
	\$	\$
Sundry creditors and accruals	30,395	28,635
Distributions payable	-	111,488
	30,395	140,123

Refer to Note 11 for amounts payable to related parties.

**Recognition and measurement**

Trade payables and other accounts payable are recognised when the Fund becomes obligated to make future payments resulting from the purchase of goods and services and are recorded initially at fair value, net of any attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost.

Distributions paid or payable are recognised as distributions within equity. A liability is recognised where distributions have been declared but have not been paid. Distributions paid are included in cash flows from financing activities in the statement of cash flows.

A provision is recognised if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**Note 8: Interest bearing loans and borrowings**

As at 30 June 2022 the Fund has the following interest bearing loans and borrowings:

Facility	Expiry date	2022		2021	
		Limit \$	Amount drawn \$	Limit \$	Amount drawn \$
<b>Current</b>					
Bank loan		-	-	-	-
Unamortised borrowing costs		-	-	-	-
		-	-	-	-
<b>Non-current</b>					
Bank loan	October 2023	2,000,000	1,795,000	2,000,000	2,000,000
Unamortised borrowing costs		-	(7,111)	-	(12,444)
		2,000,000	1,787,889	2,000,000	1,987,556

As at 30 June 2022, the Fund had \$Nil (2020: \$Nil) fixed rate loans and \$nil (2021: \$nil) of interest rate swaps hedged against its drawn debt.

All facilities are interest only facilities and are secured by first mortgages over the Fund's investment properties and a first ranking fixed and floating charge over all assets of the Fund.

The secured loans have covenants in relation to loan to value ratio ("LVR") and interest cover ratio ("ICR") which the Fund has complied with during the year.

**Recognition and measurement**

Borrowings are recorded initially at fair value, net of any attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method with any difference between the initial and recognised amount and redemption value being recognised in profit or loss over the period of the borrowing and are derecognised when the contractual obligations are discharged, cancelled or expire.

Refer to Note 13 for details on the Fund's exposure to interest risks associated with financial liabilities.

**KEY CAPITAL RETAIL FUND NO.9**  
**ARSN 635 964 804**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**Note 9: Provisions**

	2022 \$	2021 \$
Asset disposal fees	48,500	48,000
Movements during the financial year:		
Opening balance	48,000	67,000
Provision paid on sale of investment property	-	(81,000)
Charged to the statement of comprehensive income:		
- Provision made during the period	500	62,000
Closing balance	48,500	48,000

***Recognition and measurement***

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.

**KEY CAPITAL RETAIL FUND NO.9**  
**ARSN 635 964 804**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**Note 10: Issued Units**

	2022		2021	
	Units	\$	Units	\$
<b>Opening balance</b>				
Units issued	3,000,000	3,000,000	3,000,000	3,000,000
Equity raising costs	-	(54,523)	-	(54,523)
<b>Closing balance</b>	<b>3,000,000</b>	<b>2,945,477</b>	<b>3,000,000</b>	<b>2,945,477</b>

All units in the Fund are of the same class and carry equal rights to capital and income distributions.

An equity instrument is any contract that evidences a residual interest in the assets of a Fund after deducting all of its liabilities. Equity instruments issued by the Fund are recognised at the proceeds, net of direct issue costs.

**Distributions paid to Unitholders**

	2022	2021
	\$	\$
Distributions paid	225,000	2,168,364
	<b>Average Cents</b>	<b>Average Cents</b>
Per unit	7.50	72.28

**Distributions and taxation**

Under current Australian income tax legislation, the Fund is not liable for income tax for the financial year as the Fund has fully distributed its distributable income as determined under the Fund's constitution, whilst its unitholders are presently entitled to the income.

Distributions are determined by the Responsible Entity of the Fund and are payable as set out in the Fund's Product Disclosure Statement. Distributable income includes capital gains arising from the disposal of financial assets and liabilities. Net realised capital losses and tax losses are not distributed to unitholders but are retained to be offset against any realised capital gains and future assessable income respectively.

A liability is recognised where distributions have been declared but have not been paid. Distributions paid are included in cash flows from financing activities in the statement of cash flows.

**KEY CAPITAL RETAIL FUND NO.9**  
**ARSN 635 964 804**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**Note 11: Related Parties**

**Key management personnel**

The Fund does not employ personnel in its own right. However, it required to have 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  
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.

**Key management personnel loan disclosure**

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

**Responsible entity**

The Responsible Entity of Key Capital Retail Fund No.9 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.

	2022 \$	2021 \$
<i>Fees for the year paid/payable by the Fund:</i>		
Management of the Fund	27,437	27,438
Asset disposal fee	500	501,131
Finance Facility fee (total fee)	-	6,000
Capital works fee/Asset Acquisition fee	-	85,000
<hr/>		
<i>Amounts receivable:</i>		
Amounts receivable from the Responsible Entity	-	-
<hr/>		
<i>Amounts payable:</i>		
Disposal fee	48,500	48,000
Management fee	2,311	2,302
<hr/>		

**Unitholdings**

*The Responsible Entity held units in the Fund as follows:*

Number of Units held	-	-
Interest % held	-	-
Distributions paid/payable from the Fund	-	-
<hr/>		

**KEY CAPITAL RETAIL FUND NO.9**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**Note 11: Related Parties (Continued)**

**Transactions and balances with companies which are associated with the Responsible Entity or its affiliates**

	2022 \$	2021 \$
Management of the Properties (Retail Leisure Life) (i)	6,653	2,383
Other payables	-	-

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

**Transactions and balances with managed investment schemes which are managed by the Responsible Entity or its affiliates**

**Unitholdings**

*Managed investment schemes which are managed by the Responsible Entity or its affiliates held units in the Fund:*

Number of Units held	-	-
Interest % held	-	-
Distributions paid/payable from the Fund	-	-
Rental guarantee income received by the fund from KC3	-	48,051
Interest amounts paid to KC3	-	-
Amounts Receivable:		
Rental guarantee	-	-

**KEY CAPITAL RETAIL FUND NO.9**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**Note 11: Related Parties (Continued)**

**Transactions and balances with companies which are associated with the Responsible Entity or its affiliates**

	2022	2021
	\$	\$
<i>Other director related entities held units in the Fund:</i>		
<u>Entities &amp; individuals associated with Mr. George Nikakis</u>		
Number of Units held	173,650	200,000
Interest % held	5.74%	6.67%
Distributions paid/payable from the Fund	14,012	144,303
Distribution payable at year end	-	7,178
<hr/>		
<i>Other director related entities held units in the Fund:</i>		
<u>Entities &amp; individuals associated with Mr. Stephen Nicholls</u>		
Number of Units held	173,650	200,000
Interest % held	5.74%	6.67%
Distributions paid/payable from the Fund	14,012	147,341
Distribution payable at year end	-	10,215
<hr/>		
<i>Other director related entities held units in the Fund:</i>		
<u>Entities &amp; individuals associated with Mr. James Permezel</u>		
Number of Units held	246,925	246,925
Interest % held	8.23%	8.23%
Distributions paid/payable from the Fund	18,519	178,160
Distribution payable at year end	-	8,861
<hr/>		
<i>Other director related entities held units in the Fund:</i>		
<u>Key Capital Limited ATF Retail Leisure &amp; Life Trust<sup>^</sup></u>		
Number of Units held	-	13,175
Interest % held	-%	0.44%
Distributions paid/payable from the Fund	494	9,506
Distribution payable at year end	-	473

<sup>^</sup> Entity associated with Mr. Stephen Nicholls and Mr. George Nikakis

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**Note 12: Auditors remuneration**

	2022 \$	2021 \$
<b>Daniel Allison &amp; Associates Assurance</b>		
Audit or review of financial report	11,890	11,200
<i>Other services:</i>		
Review of financial report	3,730	3,515
Other	3,260	3,075
<hr/>		
<b>Other auditors</b>		
Other services	2,285	2,155
<hr/>		

**Note 13: Financial instruments**

The directors of the Responsible Entity consider that the carrying amount of the financial assets and financial liabilities approximate their fair value in the financial statements, including any fixed rate borrowings. All financial instruments are measured at amortised cost with the exception of derivative financial instruments. Derivative financial instruments are measured at fair value and have a level 2 designation in the fair value hierarchy. There were no transfers between levels of fair value hierarchy during the period.

**Valuation techniques**

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of interest rate swaps are determined using a discounted cash flow analysis. The future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit rate of the various counterparties

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date
- Level 2 – Derived from 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 (i.e., derived from prices)
- Level 3 – Derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**Note 13: Financial instruments**

**Capital management**

The capital structure of the Fund consist of cash and cash equivalents and the proceeds from the issue of the units of the Fund.

The Fund has no restrictions or specific capital requirements on the application and redemption of units, other than the approval of the Responsible Entity.

The Funds overall investment strategy remains unchanged from the prior year.

**Financial risk management objectives**

The Fund is exposed to a variety of financial risks as a result of its activities. These potential risks include; market risk (interest rate risk), credit risk and liquidity risk. The Fund's risk management and investment policies seek to minimise the potential adverse effects of these risks on the Fund's financial performance.

**Market risk**

Market risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in market prices. The Fund' activities expose it primarily to the financial risk of changes in interest rates.

There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures the risk from the previous year.

**Interest rate risk management**

In respect of income-earning financial assets and interest-bearing liabilities, the following table indicates their effective interest rates at reporting date:

	2022		2021	
	Effective interest rate	Total \$	Effective interest rate	Total \$
<b>Financial assets</b>				
Cash and cash equivalents	0.00%	18,043	0.00%	441,443
		18,043		441,443
<b>Financial liabilities</b>				
Borrowings – variable (excluding borrowing costs)	3.23%	1,795,000	2.30%	2,000,000
		1,795,000		2,000,000

**Interest rate sensitivity**

The sensitivity analysis below has been determined based on the Fund's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period, in the case of financial assets and liabilities that have variable interest rates.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**Note 13: Financial instruments (Continued)**

**Market risk (Continued)**

**Interest rate sensitivity (Continued)**

At reporting date, if variable interest rate had been 50 (2021: 50) basis points (“bps”) higher or lower and all other variables were held constant, the impact to the Fund would have been as follows:

		<b>Sensitivity impact</b>	
		<b>Rate increase</b>	<b>Rate decrease</b>
		<b>\$</b>	<b>\$</b>
<b>2022</b>			
Net profit/(loss)	50bps	8,885	7,792
		8,885	7,792
<b>2021</b>			
Net profit/(loss)	50bps	(8,885)	7,792
	50bps	(8,885)	7,792

The methods and assumptions used to prepare the sensitivity analysis have not changed during the year.

**Price Risk**

The Fund is exposed to price risk on its deferred asset disposal fees of \$48,500 (2021: \$48,000) . 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.

At reporting date, if property values had been 5% (2021: 5%) higher or lower and all other variables were held constant, the impact to the Fund would have been as follows:

		<b>Sensitivity impact</b>	
		<b>Rate increase</b>	<b>Rate decrease</b>
		<b>\$</b>	<b>\$</b>
<b>2022</b>			
Net profit/(loss)	5%	(2,425)	2,425
		(2,425)	2,425
<b>2021</b>			
Net profit/(loss)	5%	(2,400)	2,400
		(2,400)	2,400

The methods and assumptions used to prepare the sensitivity analysis have not changed during the year.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**Note 13: Financial instruments (Continued)**

**Credit risk**

The Fund has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the financial risk of financial loss from default. The Fund's exposure and the credit ratings of its counterparties are continuously monitored by the Responsible Entity.

At 30 June 2022, the main financial assets exposed to credit risk are trade receivables. There were no significant concentrations of credit risk to counterparties at 30 June 2022. Refer to Note 5 for details of trade receivables.

The credit risk on receivables is minimal because of the proven remittance history of the counterparties. Credit risk from balances with banks and financial institutions is managed by the Responsible Entity in accordance with the Fund's investment policy. Cash investments are made only with approved counterparties.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

The Fund assessed the collectability of trade receivables impacted by the COVID-19 pandemic, refer to Note 5 for the details of testing.

**Liquidity risk**

The Fund's strategy of managing liquidity risk is in accordance with the Fund's investment strategy. The Fund manages liquidity risk by maintaining adequate banking facilities and through the continuous monitoring of forecast and actual cash flows and aligning the profiles of the financial assets and liabilities.

The following tables summarises the maturity profile of the Fund's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund can be required to pay. The tables include both interest and principal cash flows.

	Effective interest rate	Total principal & interest \$	Less than 1 year \$	1 to 5 years \$	5+ years \$
<b>2022</b>					
Trade and other payables	-%	30,395	30,395	-	-
Deferred asset disposal fee	-%	48,500	-	48,500	-
Borrowings	3.23%	1,872,352	58,014	1,814,338	-
		1,951,247	88,409	1,862,838	-
<b>2021</b>					
Trade and other payables	-%	140,123	140,123	-	-
Deferred asset disposal fee	-%	48,000	-	48,000	-
Borrowings	2.30%	2,103,500	46,000	2,057,500	-
		2,291,623	186,123	2,105,500	-

The principal amounts included in the above borrowings is \$1,795,000 (2021: \$2,000,000).

**KEY CAPITAL RETAIL FUND NO.9**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**Note 14: Contingent assets, liabilities and commitments**

The Fund has no contingent assets, liabilities or commitments as at 30 June 2022.

**Note 15: 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 16: Additional information**

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

Unit 1

13 Old Lilydale Road

RINGWOOD EAST VIC 3135

**KEY CAPITAL RETAIL FUND NO.9**  
**ARSN 635 964 804**

**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; and
- (ii) giving a true and fair view of the Fund's financial position as at 30 June 2022 and of its performance for the financial year ended on that date, and

(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, 29 September 2022

## Independent Auditor's Report to the Unitholders of Key Capital Retail Fund No.9

### *Opinion*

We have audited the financial report, of Key Capital Retail Fund No.9 (the Fund), which comprises the statement of financial position as at 30 June 2022, 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 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 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, 29 September 2022