

Key Capital Property Fund
For the year ended 30 June 2024

ARSN 121 439 129

KEY CAPITAL LIMITED
RESPONSIBLE ENTITY REPORT
FOR THE YEAR ENDED 30 JUNE 2024

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 2024.

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 loss of the Fund for the year ended 30 June 2024 was \$1,161 (2023: \$119,081 profit).

4. Distributions Paid or Recommended

Distributions paid or declared for payment for the year ended 30 June 2024 were \$846,780 in total (2023: \$400,835).

	2024		2023	
	\$	Cents per unit	\$	Cents per unit
Distributions paid	846,780	2.15	400,835	2.19
	<u>846,780</u>	<u>2.15</u>	<u>400,835</u>	<u>2.19</u>

5. Review of Operations

During the year ended 30 June 2024 the Fund held the properties at Percy Street, Bellerive, Tasmania and Wyndham Street, Shepparton, Victoria.

The fund held:

- 100% of 10 Percy Street Bellerive, Tasmania
- 100% of 429 Wyndham Street, Shepparton, Victoria
- 75.6% investment in Key Capital Retail Fund No 9 which owns 139-143 Hobart Road King Meadows, Tasmania

The Fund is an actively managed property fund that completes project leasing value-add and property development.

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.

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7. After Balance Date Events

Post year end the Fund has entered into the following transactions:

- Contract to purchase 78 Princess Hwy Nowra which is subject to due diligence and the finalisation of an agreement to lease with a listed company. It is also subject to a capital raise
- The Fund has executed a memorandum of understanding to purchase up to 50% of the units in Prudential Commercial investments Pty Ltd ATF The Prudential Commercial Investments Trust the entity which owns the Co Store in Wangarrata

No other 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 12 "Related Parties".

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

At 30 June 2024 the Responsible Entity and its related parties held 6,068,941 units (2023: 2,850,207) in the Fund, as detailed in Note 12 "Related Parties".

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15. Interests Issued in the Fund

During the year 15,493,078 additional units were issued (2023: 14,414,096).

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 \$28,633,040 (2023: \$12,020,678). The methodology utilised in valuing the assets is detailed in the notes to the financial statements.

18. Number of Interests on Issue

At 30 June 2024, the number of units issued in the Fund was 39,369,744 units (2023: 24,273,096). 1,214,286 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: 24 September 2024

The Board of Directors
Key Capital Limited

24 September 2024

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 2024, 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

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2024 \$	2023 \$
Revenue and other income			
Property revenue	2	1,281,788	265,318
Trust distribution		94,106	1,973
Distribution differential rebate		92,124	-
Interest income		11,265	17,686
Total revenue and other income		1,479,283	284,977
Expenses			
Property expenses		346,342	101,347
Finance costs	3	1,013,355	260,457
Responsible entity's fees – Management		201,203	93,382
Responsible entity's fees – Asset Disposal Fees		145,000	8,000
Responsible entity's fees - Capital works / acquisition fee		43,059	139,255
Custodian fee		20,000	20,000
Legal fees		8,704	6,467
Other expenses	3	307,488	101,056
Total expenses		2,085,151	729,964
Other gains			
Net changes in fair value of investment properties	6	604,707	564,068
Net gains from other items		604,707	564,068
Profit (loss) for the year		(1,161)	119,081
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		(1,161)	119,081

The accompanying notes form part of these financial statements.

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STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2024

	Notes	2024 \$	2023 \$
Current assets			
Cash and cash equivalents	4	98,715	222,865
Trade and other receivables	5	316,934	24,716
Total current assets		415,649	247,581
Non-current assets			
Investment properties	6	25,668,500	11,377,175
Financial assets at fair value through profit or loss	7	2,548,891	395,922
Total non-current assets		28,217,391	11,773,097
Total assets		28,633,040	12,020,678
Current liabilities			
Trade and other payables	8	218,011	76,861
Interest-bearing loans and borrowings	9	1,047,674	3,671,929
Total current liabilities		1,265,685	3,748,790
Non-current liabilities			
Interest-bearing loans and borrowings	9	14,474,589	-
Provisions	10	258,000	113,000
Total non-current liabilities		14,732,589	113,000
Total liabilities		15,998,274	3,861,790
Net assets		12,634,766	8,158,888
Equity			
Issued units	11	19,421,158	14,097,339
Cumulative deficit after distributions		(6,786,392)	(5,938,451)
Total equity		12,634,766	8,158,888

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2024

	Issued units	Cumulative deficit	Total
	\$	\$	\$
Equity as at 1 July 2023	14,097,339	(5,938,451)	8,158,888
Loss for the year	-	(1,161)	(1,161)
Total comprehensive loss for the year	-	(1,161)	(1,161)
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Units issued	5,462,569	-	5,462,569
Units redeemed	(138,750)	-	(138,750)
Distributions paid	-	(846,780)	(846,780)
Equity as at 30 June 2024	19,421,158	(6,786,392)	12,634,766
 Equity as at 1 July 2022	 10,577,528	 (5,656,697)	 4,920,831
Profit for the year	-	119,081	119,081
Total comprehensive income for the year	-	119,081	119,081
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Units issued	4,957,721	-	4,957,721
Units redeemed	(1,437,910)	-	(1,437,910)
Distributions paid	-	(400,835)	(400,835)
Equity as at 30 June 2023	14,097,339	(5,938,451)	8,158,888

The accompanying notes form part of these financial statements.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2024 \$	2023 \$
Cash flows from operating activities			
Cash receipts from customers		1,198,907	265,318
Cash payments to suppliers		(830,000)	(593,051)
Distribution received		21,247	1,973
Finance costs		(1,013,355)	(323,528)
Interest received		11,265	17,686
Net cash flows from operating activities	4	(611,936)	(631,602)
Cash flows from investing activities			
Payments for investment properties		(13,686,618)	(2,937,321)
Payment for financial assets at fair value through profit or loss		(2,152,969)	(395,922)
Net cash flows from investing activities		(15,839,587)	(3,333,243)
Cash flows from financing activities			
Proceeds from borrowings		11,850,334	1,026,879
Proceeds from issue of units		5,462,569	4,957,721
Payment for units redeemed		(138,750)	(1,437,910)
Distributions paid to unitholders		(846,780)	(400,835)
Net cash flows from financing activities		16,327,373	4,145,855
Net cash flows		(124,150)	181,010
Cash and cash equivalents at the beginning of year		222,865	41,855
Cash and cash equivalents at the end of year	4	98,715	222,865

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

Note 1: Material Accounting Policy Information

Note 1.1 Basis of preparation

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.

The Fund has an excess of current liabilities over current assets of \$850,036 due to the classification of the interest bearing loan as current. The loan matures in September 2026, however it is partly classified as current as the Fund is required to repay \$150,000 principal on a quarterly basis. This will be met from the future cash flows generated by the Fund.

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 24 September 2024.

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 10

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

Note 1: Material Accounting Policy Information (Continued)

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.

The Fund has adopted the amendments to AASB 101 *Presentation of Financial Statements* which require only the disclosure of material accounting policy information rather than significant accounting policies and therefore policy information which does not satisfy one of the following requirements has been removed from these financial statements:

- Relates to change in accounting policy
- Policy has been developed in the absence of an explicit accounting standard requirement
- Documents an accounting policy choice
- Relates to an area of significant judgement or estimation
- Relates to a complex transaction and is required to explain the treatment to the user.

Note 2: Revenue and other income

	2024 \$	2023 \$
Base rent*	1,160,846	265,318
Recoverable outgoings	120,942	-
	1,281,788	265,318

*Rent for Shepparton Property is for Oct 2023 – Jun 2024.

Recognition and measurement

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 is 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.

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.

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Note 3: Expenses

Finance costs

	2024 \$	2023 \$
Interest expense	783,429	221,568
Amortisation of borrowing costs	229,926	38,889
	1,013,355	260,457

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.

Note 4: Cash and cash equivalents

Cash and cash equivalents	98,715	222,865
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**Reconciliation of profit (loss) before distribution to unitholders
to the net cash flows from operating activities:**

Profit (loss) for the year	(1,161)	119,081
Net changes in fair value of investment properties	(604,707)	(564,068)
Property disposal fees	145,000	8,000
Increase in receivables and prepayments	(292,218)	(11,717)
Increase/(decrease) in payables	141,150	(182,898)
Net cash flows from operating activities	(611,936)	(631,602)

Note 5: Trade and other receivables

Trade receivables	91,130	-
Distribution receivable	72,859	-
Rebate receivable	92,124	-
Prepayments	53,538	24,716
Other	7,283	-
	316,934	24,716

Refer to Note 14 for details on fair value measurement and the Funds exposure to risks associated with financial assets.

Recoverability of loans and receivables

The Fund recognises loss allowances at an amount equal to lifetime expected credit losses ("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.

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NOTES TO THE FINANCIAL STATEMENTS
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Note 5: Trade and other receivables (Continued)

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.

Note 6: Investment Properties

	2024 \$	2023 \$
Opening balance	11,377,175	7,875,786
Additions	13,686,618	-
Capital expenditure	-	2,937,321
Changes in fair value of investment properties	604,707	564,068
Closing balance – Directors Valuation	25,668,500	11,377,175

The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$nil (2023: \$nil). The additions include purchase price, stamp duty and other directly attributable costs.

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	1,472,859	525,097
Between one and five years	4,903,674	2,674,208
More than five years	5,512,871	1,750,407
	11,889,404	4,949,712

Property	Fair Value		Capitalisation Rate		Last Independent Valuer/Date	Last Independent Valuation \$
	2024 \$	2023 \$	2024 %	2023 %		
10 Percy Street, Bellerive	11,368,500	11,350,000	4.65%	4.40%	Knight Frank February 2022	10,500,000
428-452 Wyndham Street, Shepparton	14,300,000	27,175	5.84%	-	Opteon May 2024	14,260,000
	25,668,500	11,377,175				

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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

Note 6: Investment Properties (Continued)

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.

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	
	2024	2023	Increase input	Decrease input
Capitalisation rate - 10 Percy Street, Bellerive	4.65%	4.40%	Decrease	Increase
Capitalisation rate - 428-452 Wyndham Street, Shepparton	5.84%	-	Decrease	Increase
			2024	2023
			\$	\$

Note 7: 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

	2,548,891	395,922
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(a) Recognition and measurement

Key Capital Property Fund held a unitholding interest of 75.6% in Key Capital Retail Fund No 9 as at 30 June 2024. Key Capital Property Fund meets the definition of an investment entity in accordance with the AASB 10 *Consolidated Financial Statements*. As an investment entity, Key Capital Property Fund is required to apply an exception to consolidating Key Capital Retail Fund No 9. but instead is required to measure this investment at fair value through profit or loss.

(b) 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS
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Note 7: Financial Assets at fair value through profit or loss (Continued)

(c) 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.

Note 8: Trade and other payables

	2024 \$	2023 \$
Trade payables	138,862	-
Trade Payables – Responsible Entity	42,595	8,792
Sundry creditors and accruals	36,554	68,069
	218,011	76,861

Refer to Note 12 for amounts payable to related parties.

Recognition and measurement

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.

Note 9: Interest bearing loans and borrowings

As at 30 June 2024 the Fund has the following interest bearing loans and borrowings:

Facility	Expiry date	2024		2023	
		Limit \$	Amount drawn \$	Limit \$	Amount drawn \$
Current					
Bank loan		-	600,000	5,460,000	3,735,000
Accrued interest		-	67,231	-	-
Premium funding	September 2024	28,920	6,039	-	-
Related party loan	June 2025	675,000	375,000	-	-
Unamortised borrowing costs		-	(596)	-	(63,071)
		703,920	1,047,674	5,460,000	3,671,929

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

Note 9: Interest bearing loans and borrowings (Continued)

Non-current					
Bank loan	September 2026	15,635,000	14,515,000	-	-
Unamortised borrowing costs		-	(40,411)	-	-
		15,635,000	14,474,589	-	-

Note 10: Provision

	2024 \$	2023 \$
Asset disposal fees	258,000	113,000
Movements during the financial year:		
Opening balance	113,000	105,000
Charged to the statement of comprehensive income:		
- Provision made during the period	145,000	8,000
Closing balance	258,000	113,000

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.

Note 11: Issued Units

	2024		2023	
	Units	\$	Units	\$
Opening balance	24,273,096	14,097,339	14,102,174	10,577,528
Units issued	15,493,078	5,462,569	14,414,096	4,957,721
Units redeemed	(396,430)	(138,750)	(4,243,174)	(1,437,910)
Closing balance	39,369,744	19,421,158	24,273,096	14,097,339

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.

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NOTES TO THE FINANCIAL STATEMENTS
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Note 11: Issued Units (Continued)

Distributions paid to Unitholders

	2024	2023
	\$	\$
Distributions paid	846,780	400,835
	Average Cents	Average Cents
Per unit	2.15	2.19

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.

Note 12: Related Parties

Key management personnel

The Fund does not employ personnel in its own right. However, its 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 Property 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

Note 12: Related Parties (Continued)

Responsible entity's fees and other transactions

	2024 \$	2023 \$
<i>Fees for the year paid/payable by the Fund:</i>		
Management of the Fund	201,203	93,382
Asset disposal fee	145,000	8,000
Finance Facility fee	61,200	32,760
Asset acquisition fee	260,000	139,255
Capital works fee	43,059	-
Other fees	6,226	-

Amounts receivable:

Amounts receivable from the Responsible Entity	92,124	-
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Amounts payable:

Disposal fee	258,000	113,000
Management fee	42,595	8,792

Unitholdings

The Responsible Entity held units in the Fund as follows:

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

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)	18,000	16,000
Mortgage broking fees (Property Partners Invest Pty Ltd) (i)	-	6,000

Management of the Properties (Retail Leisure Life) (i)	26,022	711
Leasing fees (Retail Leisure Life) (i)	65,296	23,265

Amounts payable:

Other payables	57,595	8,793
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(i) Entities associated with one or more of the directors.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

Note 12: Related Parties (Continued)

Unitholdings

The Responsible Entity held units in the Fund as follows:

Key Capital Limited

Number of Units held	-	-
Interest % held	-	-
Distributions paid/payable from the Fund	-	432

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

	2024 \$	2023 \$
Unitholdings		
<i>Managed investment schemes which are managed by the Responsible Entity or its affiliates held units in the Fund:</i>		
<i>Key Capital Retail Fund No. 9</i>		
Number of Units held	2,269,125	347,300
Interest % held	75.6%	11.57%
Distributions paid/payable from the Fund	94,106	-

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

Other director related entities held units in the Fund:

Entities & individuals associated with Mr. George Nikakis

Number of Units held	1,137,032	565,603
Interest % held	2.9%	2.3%
Distributions paid/payable from the Fund	13,349	5,988

Other director related entities held units in the Fund:

Entities & individuals associated with Mr. Stephen Nicholls

Number of Units held	1,399,177	970,604
Interest % held	3.6%	4.0%
Distributions paid/payable from the Fund	31,946	13,341

Other director related entities held units in the Fund:

Entities & individuals associated with Mr. James Permezel

Number of Units held	3,532,732	1,314,000
Interest % held	9.0%	5.4%
Distributions paid/payable from the Fund	68,324	28,744

Permezel Superannuation Pty Ltd ATF Permezel Superannuation Fund[^]

Related party loan	375,000	-
Interest paid on related party loan	49,972	-

[^] Entity associated with Mr. James Permezel

KEY CAPITAL PROPERTY FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

Transactions and balances with companies which are associated with the Responsible Entity or its affiliates (continued)

	2024 \$	2023 \$
<i>Other director related entities held units in the Fund:</i>		
<i><u>Key Capital Limited ATF Retail Leisure & Life Trust</u></i> [^]		
Number of Units held	-	-
Interest % held	-	-
Distributions paid/payable from the Fund	-	148
Distribution payable at year end	-	-

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

Note 13: Auditors remuneration

	2024 \$	2023 \$
Daniel Allison & Associates Assurance		
Audit or review of financial report	18,575	15,970
Review of financial report	-	-
Other services:		
Audit or review of financial report	1,500	5,000
Other auditors		
Other services – compliance plan audit	3,000	3,000

Note 14: 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 is 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)

KEY CAPITAL PROPERTY FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

Note 14: Financial instruments (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.

Capital management

The capital structure of the Fund consists 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's 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:

	2024		2023	
	Effective interest rate	Total \$	Effective interest rate	Total \$
Financial assets				
Cash and cash equivalents	0.00%	98,715	0.00%	222,865
Trade and other receivables	0.00%	263,396	0.00%	-
Financial assets at fair value through profit or loss	0.00%	2,548,891	0.00%	395,922
		2,911,002		618,787
Financial liabilities				
Trade and other payables	0.00%	200,708	0.00%	76,861
Premium funding	7.10%	5,443	0.00%	-
Deferred asset disposal fee	0.00%	258,000	0.00%	113,000
Related party loan	12.00%	375,000	0.00%	-
Borrowings – variable (including accrued interest)	5.59%	15,141,820	6.25%	3,671,929
		15,980,971		3,861,790

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

Note 14: Financial instruments (Continued)

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.

At reporting date, if variable interest rate had been 50 (2023: 50) basis points ("bps") higher or lower and all other variables were held constant, the impact to the Fund would have been as follows:

		Sensitivity impact	
		Rate increase	Rate decrease
		\$	\$
2024			
Net profit/(loss)	50bps	(76,984)	76,984
	50bps	(76,984)	76,984
2023			
Net profit/(loss)	50bps	(17,561)	17,561
	50bps	(17,561)	17,561

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 \$258,000 (2023: \$113,000) and financial costs held at fair value through profit or loss \$2,548,891 (2023: \$395,922). The amounts 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% (2023: 5%) higher or lower and all other variables were held constant, the impact to the Fund would have been as follows:

		Sensitivity impact	
		Rate increase	Rate decrease
		\$	\$
2024			
Net profit/(loss)	5%	114,545	(114,545)
		114,545	(114,545)
2023			
Net profit/(loss)	5%	14,146	(14,146)
		14,146	(14,146)

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

Note 14: 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 2024, the main financial assets exposed to credit risk are trade receivables. There were no significant concentrations of credit risk to counterparties at 30 June 2024. 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.

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 \$
2024					
Trade and other payables	0.00%	200,708	200,708	-	-
Premium funding	7.10%	6,039	6,039	-	-
Deferred asset disposal fee	0.00%	258,000	-	258,000	-
Related party loan	12.00%	387,750	387,750	-	-
Accrued Interest	0.00%	67,231	67,231	-	-
Borrowings – variance (including accrued interest)	5.59%	16,940,624	1,432,351	15,508,273	-
		17,847,602	2,081,329	15,766,273	-
2023					
Trade and other payables	0.00%	76,861	76,861	-	-
Deferred asset disposal fee	0.00%	113,000	113,000	-	-
Borrowings – variance (including accrued interest)	6.25%	4,357,501	4,357,501	-	-
		4,547,362	4,547,362	-	-

The principal amounts included in the above borrowings is \$15,115,000 (2023: \$3,735,000), the principal amounts included in the above premium funding is \$5,443 (2023: \$NIL).

Note 15: Contingent assets, liabilities and commitments

The Fund has no contingent assets, liabilities or commitments as at 30 June 2024.

Note 16: 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

Note 17: Additional information

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

KEY CAPITAL PROPERTY FUND
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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 2024 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, 24 September 2024

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 2024, 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 material 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 2024 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, 24 September 2024