

**SMSF PROPERTY FUND  
AND ITS CONTROLLED ENTITIES  
ARSN 159 753 474**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020**

*This is annexure A of 44 pages referred to in form 388 "Copy of financial statements and reports"*



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**Steven Maarbani**  
Director

26 March 2021  
Sydney

**SMSF PROPERTY FUND  
AND ITS CONTROLLED ENTITIES  
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**DIRECTORS' REPORT  
30 JUNE 2020**

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The directors of Guardian Securities Limited (the “Responsible Entity”), the Responsible Entity of SMSF Property Fund (referred to hereafter as the “Fund”), present their financial report together with the financial statements of the Consolidated Entity (referred to hereafter as the “Consolidated Entity”), consisting of the unit trust and the special purpose vehicles it controlled for the year ended 30 June 2020, and the auditor’s report thereon.

**Directors**

The following persons were directors of Guardian Securities Limited during the whole of the financial period ended 30 June 2020 and up to the date of this report, unless otherwise stated:

Guy Hasenkam	
Christopher Wilson	(resigned 24 January 2020)
Errol Jackson	(resigned 24 January 2020)
Steven Maarbani	(appointed 21 January 2020)
Craig Hart	(appointed 4 February 2020)
Darren Tasker	(appointed 24 January 2020, resigned 4 February 2020)

**Principal activities**

The Fund is a registered managed investment scheme domiciled in Australia. SMSF Property Fund is a property fund that was formed to acquire Australian residential property for development purposes on behalf of fund investors. The Fund invests in Australian residential property through special purpose vehicles established for each investment opportunity, each of which form part of the Consolidated Entity.

The Consolidated Entity did not have any employees during the period.

No significant change in the nature of these activities occurred during the year.

**Scheme information**

SMSF Property Fund (the “Fund”) is a registered managed investment scheme under the Corporations Act 2001. The Fund was constituted on 15 August 2012 and will terminate on 14 August 2092 unless terminated in accordance with the Constitution.

The registered office and principal place of business of the Responsible Entity and the Fund is Unit 2, 34 Florence Street, Teneriffe QLD 4005.

**Review of operations**

The net loss from ordinary activities after income tax for the year ended 30 June 2020 amounted to \$6,486,581 (2019: \$7,029,178).

Included within the loss is impairment of \$3,566,230 (2019: \$4,707,158) which is largely due to the Consolidated Entity’s builder going into administration during the prior financial year, which lead to additional work and defect rectifications.

The majority of projects are in development stage and commercial revenues from sales were \$10,506,107 (2019: \$6,861,907).

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*Scheme assets*

At 30 June 2020, the Consolidated Entity had total assets of \$61,878,223 (2019: \$59,770,943), which were primarily invested in various residential development projects in Queensland. The Consolidated Entity had 748 investors at 30 June 2020 (2019: 748).

*Responsible entity*

During the year, on 21 January 2020, VentureCrowd Holdings Pty Ltd acquired a majority shareholding of 51% of Guardian Securities Limited, the Responsible Entity for the Consolidated Entity. The remainder of the shares are to be sold under a put and call option to VentureCrowd Holdings Pty Ltd. The following fees were paid to Guardian Securities Limited out of Consolidated Entity's property during the financial year:

	2020	2019
	\$	\$
Management fees paid directly by the Consolidated Entity	261,830	503,693

A director of the Responsible Entity, Guy Hasenkam has subscribed for \$Nil (2019: \$100,000) preference shares in the subsidiary Livingstone Street Residences Development Pty Ltd. The Guardian Investment Fund, subscribed for \$32,840,537 (2019: \$28,295,037) preference shares in various special purpose vehicles during the financial year. The Responsible Entity and its associates had no other funds invested in the Consolidated Entity at balance date.

*Distributions*

Partial redemptions of \$1,536,520 and no distributions were paid during the year (2019: \$1,741,327).

*Investor Funds*

The Consolidated Entity received \$Nil (2019: \$1,455,000) of investor funds during the year, while \$1,536,520 was withdrawn (2019: \$1,741,327). The balance of investors' funds at the end of the financial year amounted to \$8,352,265 (2019: \$16,375,366).

*Going concern*

The Consolidated Entity has incurred a net loss of \$6,486,581 for the financial year ended 30 June 2020 (2019: \$7,029,178) and had net assets attributable to investors of \$8,352,265 (2019: \$16,375,366) as at that date. At the date of this report, there are financial liabilities of \$2,586,146 repayable or due for repayment within 12 months. If sufficient funding is not obtained and loan agreements are not extended, there is significant liquidity risk that may result in the Consolidated Entity not being able to continue as a going concern.

Burrell Avenue Developments Pty Limited's external bank loan, as outlined in Note 15, expired on 28 February 2021. The loan extension documentation has not been formally finalised as this is contingent upon plan sealing by the local authority. The directors of the Responsible Entity are confident that this loan will be extended for a further 6 to 12 months which they estimate will be sufficient to finalise the sale of finished goods. In the event external funding is not obtained, there is the possibility to obtain funding by preference shares from a related entity.

An investor of the Rosedene Development Class of Units ("Rosedene") made a claim against Rosedene on 30 March 2020 for a delay in construction and cost overruns. A notice to defence was filed by Rosedene. The outcome of the proceeding and prospect of settlement are not certain at this stage. The Consolidated Entity has been advised by its legal counsel that the proceedings and prospect of settlement are not certain at this stage. Accordingly, no provision for any liability has been made in the financial statements as at 30 June 2020. Refer to note 21.

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The directors of the Responsible Entity have determined that Chermside Residences Development Pty Ltd is not considered a going concern. Due to events outside the control of the sub-fund including weather and ground works issues, the sub-fund has incurred construction costs significantly above the forecasted costs. This has resulted in accumulative impairment of the inventory over the term of the project of \$2,483,313 (2019: \$2,116,526). During the 2020 financial year, the sub-fund has also been engaged in legal disputes against the previous builder. Chermside has fully paid all claims in the 2020 financial year. On 11 May 2020 the unitholders of the Chermside Residence Class of Units resolved, to extend the term of the Class of Units for five years to enable the sub-fund to hold the investment property for rental income and capital appreciation once the development of the underlying asset is completed. As at 30 June 2020, the project is a work in progress, and was finalised subsequent to year end. Refer to note 11 for further details and also to 27. Chermside's position is not considered material to the Consolidated Entity as a whole.

The Director's do not believe that any of the nearing due, or overdue loans as stated above will be recalled within the next 12 months or until sufficient sale proceeds are received to repay the loans. There is no history of overdue loans being recalled, however it is possible that these debts can be recalled and if this does occur and there is no additional external funding or sales proceeds able to fund the remaining cost to complete, the entities impacted will no longer be considered a going concern.

These financial statements do not give effect to any adjustments which could be necessary should the Consolidated Entity be unable to continue as a going concern and therefore be required to realise its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements. Given the historical losses and loan agreements nearing due or overdue and other matters noted above, there exists a material uncertainty that the consolidated entity will achieve the above and continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

**Significant changes in the state of affairs**

In the opinion of the Responsible Entity, there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the year under review other than as disclosed in the review and results of operations.

**Matters subsequent to the end of the financial year**

The final lot of Stafford Residences Development Pty Ltd was sold in March 2020. The funds from the sale were used to repay the external loan outstanding and a final distribution was made to unit holders in December 2020. The fund is due to be wound up subsequent to year end. Refer to 15 for further details.

Subsequent to year end, Burrell Avenue Development Pty Ltd completed all site works and is currently awaiting the required plan sealing, by the local authority, to enable sale of the finished goods. It is anticipated that Westpac will issue formal contract extension documentation beyond the maturity date of 28 February 2021 once approval from the local authority has been received. Interest continues to accrue in respect of this loan.

Park Avenue Developments Pty Ltd has made sales subsequent to year end and used funds generated from the sale to repay the external loan outstanding at year end. The loan was fully repaid in September 2020. Refer to Note 15 for further details.

Subsequent to year end, Chermside Residence Development Pty Ltd finalised the construction of the inventories which are intended to be rented for a period of five years. Refer to note 4 for further details.

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Subsequent to year end, the global pandemic of COVID-19 has a significant impact on various industries including the real estate and property market. The impact of the pandemic has been assessed with regards to the Group however due to the uncertainty of the situation, the Group is unable to quantify the impact and will continue to assess the situation as it evolves. If the situation subsequently evolves in that there is a decline in the property market having a negative impact on rent and sales, this may impact on the valuation of the investment properties and inventories held by the Group.

Subsequent to year end, various developments have entered into sales contracts with standard sales terms and in accordance with forecast projections.

There have been no other transactions or events of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

**Likely developments**

The Consolidated Entity will continue to pursue its policy of increasing returns through active investment selection.

Further information about likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.

**Environmental regulations**

The Consolidated Entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Indemnities and insurance premiums for officers or auditors**

The Constitution of the Responsible Entity requires it to indemnify all current and former officers of the Responsible Entity (but not including auditors) out of the property of the Responsible Entity against:

- a. any liability for costs and expenses which may be incurred by that person in defending civil or criminal proceedings in which judgement is given in that person's favour, or in which the person is acquitted, or in connection with an application in relation to any such proceedings in which the court grants relief to the person under the Corporations Act 2001; and
- b. a liability incurred by the person, as an officer of the Responsible Entity or of a related body corporate, to another person (other than the Responsible Entity or a related body corporate) unless the liability arises out of conduct involving a lack of good faith.

During the financial year, the Responsible Entity paid an insurance premium in respect of a contract insuring each of the officers of the Responsible Entity. The amount of the premium is, under the terms of the insurance contract, confidential. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Responsible Entity or related body corporates. This insurance premium does not cover auditors.

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**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the board,



**Steven Maarbani**  
Director

26 March 2021  
Sydney

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF GUARDIAN SECURITIES LIMITED AS RESPONSIBLE ENTITY FOR  
SMSF PROPERTY FUND**

I declare to the best of my knowledge and belief, in relation to the audit of the financial report of SMSF Property Fund and its Controlled Entities for the year ended 30 June 2020, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



**PKF (Gold Coast)**



**Michael Sheehy**  
Registered Company Auditor

26 March 2021  
Gold Coast

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**General information**

The financial report covers SMSF Property Fund as a Consolidated Entity consisting of Paddington View Residences Development Pty Ltd (Paddington), Park Avenue Developments Pty Ltd (Park Avenue), Stafford Residences Development Pty Ltd (Stafford), Livingstone Street Residences Development Pty Ltd (Livingstone), Burrell Avenue Developments Pty Ltd (Burrell), Rosedene Street Residences Development Pty Ltd (Rosedene), Bryna Parade Residences Development Pty Ltd (Bryna), Chermside Residences Development Pty Ltd (Chermside), Fernvale Development Pty Ltd (Fernvale) and Glenvale Devine Developments Pty Ltd (Glenvale). The financial report is presented in Australian dollars, which is SMSF Property Fund's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 26 March 2021.



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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue and other income</b>			
Sales revenue		10,506,107	6,861,907
Gain on revaluation	12	-	511,086
Rental income	12	152,509	98,390
Interest income	6	7,319	14,646
Other income		56,182	-
<b>Total revenue</b>		<b>10,722,117</b>	<b>7,486,029</b>
<b>Expenses</b>			
Cost of sales	11	(10,682,728)	(5,926,110)
Finance costs		(295,204)	(341,813)
Management fees	19	(261,830)	(503,693)
Professional fees		(282,589)	(389,706)
Marketing fees		(780,845)	(1,099,211)
Property expenses		(407,565)	(305,850)
Impairment expense	11	(3,566,230)	(4,707,158)
Other expenses		(301,875)	(69,189)
<b>Total expenses</b>		<b>(16,578,866)</b>	<b>(13,342,730)</b>
<b>Loss before distributions and income tax attributable to unitholders</b>		<b>(5,856,749)</b>	<b>(5,856,701)</b>
Distributions paid to investors		-	-
<b>Loss after distributions and income tax attributable to unitholders</b>		<b>(5,856,749)</b>	<b>(5,856,701)</b>
Income tax expense	7	(629,832)	(1,172,477)
<b>Loss after distributions and income tax attributable to unitholders</b>		<b>(6,486,581)</b>	<b>(7,029,178)</b>
<b>Other comprehensive income</b>			
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Change in net assets attributable to unitholders</b>		<b>(6,486,581)</b>	<b>(7,029,178)</b>

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

**SMSF PROPERTY FUND  
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
Cash and cash equivalents	8	1,189,325	1,133,798
Other receivables	9	238,353	724,483
Other assets	10	390,737	794,028
Inventories	11	56,449,808	53,508,634
Investment property	12	3,610,000	3,610,000
<b>Total assets</b>		<b>61,878,223</b>	<b>59,770,943</b>
<b>Liabilities</b>			
Financial liabilities measured at amortised cost:			
Payables	14	3,774,488	4,120,848
Loans	15	13,848,979	8,227,570
Preference shares	16	34,710,537	30,485,037
Deferred tax liabilities	13	1,191,954	562,122
<b>Total liabilities (excluding net assets attributable to investors)</b>		<b>53,525,958</b>	<b>43,395,577</b>
<b>Net assets attributable to investors – liability</b>		<b>8,352,265</b>	<b>16,375,366</b>

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

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**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
FOR THE YEAR ENDED 30 JUNE 2020**

	Units on Issue No.	Net Assets Attributable to Unitholders \$
Balance at 1 July 2019	31,576,324	16,375,366
Issue of units	-	-
Redemption of units	(249,912)	(1,536,520)
Increase in net assets attributable to unitholders from transactions in units	(249,912)	(1,536,520)
Change in net assets attributable to unitholders	-	(6,486,581)
<b>Balance at 30 June 2020</b>	<b>31,326,412</b>	<b>8,352,265</b>
Balance at 1 July 2018 - prior year accounts issued	32,782,800	23,690,871
Restatement*	(396,041)	
Restated balance at 1 July 2018	32,386,759	
Issue of units	1,455,000	1,455,000
Redemption of units	(2,265,435)	(1,741,327)
Increase in net assets attributable to unitholders from transactions in units	(810,435)	(286,327)
Change in net assets attributable to unitholders	-	(7,029,178)
<b>Balance at 30 June 2019</b>	<b>31,576,324</b>	<b>16,375,366</b>

\* The prior year opening balance has been restated to reflect the unit distribution made to investors.

*The above consolidated statement of changes in net assets attributable to unitholders should be read in conjunction with the accompanying notes*

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**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Sales revenue		10,562,289	6,861,907
Rental income		152,509	98,390
Interest income		7,319	14,646
Payment for inventories		(17,190,132)	(20,245,811)
Management fees paid		(8,414)	(213,711)
Other operating costs paid		(1,778,432)	(2,172,961)
Income taxes paid		-	-
<b>Net cash flows from/(used in) operating activities</b>	26	<u>(8,254,861)</u>	<u>(15,657,540)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of units and application monies received		-	1,455,000
Redemptions of units on issue		(1,536,520)	(1,741,328)
Proceeds from issue of preference shares		14,136,500	16,683,435
Redemptions paid for preference shares		(9,911,000)	(5,559,504)
Proceeds from borrowings		9,339,362	7,645,022
Repayment of borrowings		<u>(3,717,953)</u>	<u>(2,080,369)</u>
<b>Net cash flows from/(used in) financing activities</b>		<u>8,310,389</u>	<u>16,402,256</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		55,528	744,716
Cash and cash equivalents at the beginning of the financial year		<u>1,133,797</u>	<u>389,082</u>
<b>Cash and cash equivalents at the end of the financial year</b>	8	<u><u>1,189,325</u></u>	<u><u>1,133,797</u></u>

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**1 GENERAL INFORMATION**

The SMSF Property Fund ("the Fund" or "The Consolidated Entity") is a registered managed investment scheme domiciled in Australia and that was formed to acquire Australian residential property for development purposes on behalf of fund investors. The Fund invests in Australian residential property through special purpose vehicles established for each investment opportunity, each of which form part of the Consolidated Entity.

The financial report covers SMSF Property Fund as a Consolidated Entity consisting of Paddington View Residences Development Pty Ltd, Park Avenue Developments Pty Ltd, Stafford Residences Development Pty Ltd, Livingstone Street Residences Development Pty Ltd, Burrell Avenue Developments Pty Ltd, Rosedene Street Residences Development Pty Ltd, Bryna Parade Residences Development Pty Ltd, Chermide Residences Development Pty Ltd, Fernvale Development Pty Ltd and Glenvale Devine Developments Pty Ltd. The financial report is presented in Australian dollars, which is SMSF Property Fund's functional and presentation currency.

The financial report was authorised for issue, in accordance with a resolution of directors of the Responsible Entity, on 26 March 2021.

**2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**

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

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for financial assets and liabilities at fair value through profit or loss and net assets attributable to unitholders. The amount expected to be recovered or settled within 12 months in relation to these balances cannot be reliably determined.

The financial report has also been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value.

In the case of net assets attributable to unitholders, the units are only redeemable in accordance with the terms of the relevant Supplementary Product Disclosure Statement. The amount expected to be settled within 12 months cannot be reliably determined. Each class of unit is associated with its own sub-fund where investors have certain rights discrete from investors who hold other unit classes.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## **2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SMSF Property Fund ('Fund' or 'unit trust') as at 30 June 2020 and the results of all subsidiaries for the year then ended. SMSF Property Fund and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Consolidated Entity. Losses incurred by the Consolidated Entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### **Fair value measurement**

The Consolidated Entity measures non-financial assets as investment properties at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Consolidated Entity. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## **2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **Fair value measurement (cont'd)**

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Consolidated Entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the Consolidated Entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

#### *Sales revenue*

Sales revenue is recognised at settlement, which is when the risks and rewards have been transferred to the customer in accordance with the valid sales contract.

#### *Sales revenue - individual properties*

Sales revenue is recognised at settlement, which is when control of the asset has been transferred to the customer in accordance with the valid sales contract. Sales revenue is recognised at the amount agreed in the contract.

#### *Sales revenue - house and land packages*

Sales revenue is recognised at settlement, which is when control of the asset has been transferred to the customer in accordance with the valid sales contract. Sales revenue is recognised at the amount agreed in the contract.

#### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

### **Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

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**2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Investment property**

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the Consolidated Entity. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties transferred from inventories that will be carried at fair value are measured at the date of transfer and any difference between the fair value of the property at that date and its previous carrying amount are recognised in profit or loss.

**Financial instruments - initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

***Financial assets***

***Initial recognition and measurement***

Financial assets are classified, at the initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Consolidated Entity's business model for managing them. The Consolidated Entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Consolidated Entity has applied the practical expedient are measured at the transaction price determined under AASB 15. Refer to the accounting policies in section "Revenue recognition".

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level.

The Consolidated Entity's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting the contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Consolidated Entity commits to purchase or sell the asset.



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## **2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **Financial instruments - initial recognition and subsequent measurement (cont'd)**

#### ***Financial assets (cont'd)***

##### ***Subsequent measurement***

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments),
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments),
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments),
- Financial assets at fair value through profit or loss.

##### ***Financial assets at amortised cost (debt instruments)***

This category is the most relevant to the Consolidated Entity. The Consolidated Entity measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Consolidated Entity's financial assets at amortised cost includes trade receivables and a loan to an associate.

##### ***Derecognition***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Consolidated Entity's statement of financial

- The rights to receive cash flows from the asset have expired, or
- The Consolidated Entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - (a) the Consolidated Entity has transferred substantially all the risks and rewards of the asset, or
  - (b) the Consolidated Entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Consolidated Entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Consolidated Entity continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Consolidated Entity also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Consolidated Entity has retained.

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**2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Financial instruments - initial recognition and subsequent measurement (cont'd)**

***Financial assets (cont'd)***

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Consolidated Entity could be required to repay.

***Impairment of financial assets***

Further disclosures relating to impairment of financial assets are provided in Note 3.

The Consolidated Entity recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Consolidated Entity expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Consolidated Entity applies a simplified approach in calculating the ECLs. Therefore, the Consolidated Entity does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Consolidated Entity has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Consolidated Entity considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Consolidated Entity may also consider a financial asset to be in default when internal or external information indicates that the Consolidated Entity is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Consolidated Entity. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

***Financial liabilities***

***Initial recognition and measurement***

Financial liabilities are classified, at the initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable costs.

The Consolidated Entity's financial liabilities include trade and other payables, loans and borrowing.

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**2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Financial instruments - initial recognition and subsequent measurement (cont'd)**

***Financial liabilities (cont'd)***

***Subsequent measurement***

The measurement of financial liabilities depends on their classification, as described below for the material classifications:

***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied. The Consolidated Entity has not designated any financial liability as at fair value through profit or loss.

***Derecognition***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the amount is recognised in the statement of profit or loss.

**Inventories**

Inventories of the Consolidated Entity represent work in progress or finished goods for the property developments. Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis, or
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

**Master Fund information**

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in Note 24.

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## **2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **Functional and presentation currency**

These financial statements are presented in Australian dollars, which is the Consolidated Entity's functional currency.

### **Expenses**

All expenses, including Responsible Entity's fees and custodian fees, are recognised in profit or loss on an accruals basis.

### **Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. None of the entities have met the recognition criteria for this current financial year.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

### **Increase/decrease in net assets attributable to unitholders**

Income not distributed is included in net assets attributable to unitholders. Where the Fund's units are classified as liabilities, distributions attributable to unitholders are recognised in profit or loss as finance costs.

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**2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Distribution and taxation**

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised that portion of the gain that is subject to capital gains tax will be distributed so that the Consolidated Entity is not subject to capital gains tax.

**Units issued, applications and redemptions**

All redeemable units issued by the Fund provide the investors with the right to redemption for cash and give rise to a financial liability. In accordance with the Product Disclosure Statement the Fund is contractually obliged to redeem units at the redemption price, however redemption is subject to the availability of surplus liquidity and at the approval of the Responsible Entity.

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

**Goods and Services Tax ('GST')**

Management fees, custody fees and other expenses are recognised net of the amount of Goods and Services Tax (GST) recoverable from the Australian Taxation Office (ATO). Payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows are included in the statement of cash flow on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**New, revised or amending Accounting Standards and Interpretations adopted**

The Consolidated Entity has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2019. The nature and the impact of each new standard and/or amendment is described below including the changes in accounting policies:

***AASB 16 Leases***

The Consolidated Entity has adopted AASB 16 Leases with a date of initial application of 1 July 2019. The adoption of AASB 16 has not resulted in any material impact on the financial performance or position of the Consolidated Entity in either the current or prior financial reporting periods.

***Amendments to AASB 9 - Prepayment Features with Negative Compensation***

Under AASB 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to AASB 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Consolidated Entity.

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**2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**New, revised or amending Accounting Standards and Interpretations adopted (cont'd)**

*Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 12 Income Taxes. It does not apply to taxes or levies outside the scope of AASB 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

The Consolidated Entity determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Consolidated Entity applies significant judgement in identifying uncertainties over income tax treatments.

Upon adoption of the Interpretation, the Consolidated Entity considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Consolidated Entity determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Consolidated Entity.

The Consolidated Entity has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Consolidated Entity.

*Annual Improvements 2015-2017 Cycle*

**AASB 3 Business Combinations**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

**AASB 12 Income Taxes**

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2020. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

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### **3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Provision for impairment of inventories*

The provision for impairment of inventories assessment required a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the estimated costs to complete and other factors that affect net realisable value. The directors of the Responsible Entity have assessed that as at 30 June 2020 certain inventory write downs were required for specific developments where estimated total construction costs exceed the estimated net realisable value. The impairment for each work in progress development is based on the as if complete valuation and underlying sales value, as observed from previous sales and not the current state of work in progress. As a result, there is a risk that the inventory balance is misstated as the valuations do not confirm the value of the work in progress inventory balances at their stage of construction. Refer to Note 11 for further details.

#### *Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for the each group. These assumptions include recent sales experience and historical collection rates.

#### *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the Consolidated Entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The directors of the Responsible Entity utilise project profit forecasts to assess the probability of whether such taxable amounts will be available. Forecasts are based on inputs and assumptions which are judgmental and may not be achievable. If forecast taxable amounts are not achieved, deferred tax assets may either be fully or partially non-recoverable resulting in these values being expensed. The directors of the Responsible Entity have determined that there is no compelling evidence to recognise deferred tax assets in relation to temporary differences and losses on certain special purpose vehicle developments due to losses within the Consolidated Entity. Refer to Note 13 for further details.

#### *COVID-19*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Consolidated Entity based on known information. COVID-19 has a significant impact on various industries including the real estate and property market. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial report or any significant uncertainties with respect to events or conditions which may impact the Consolidated entity unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

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#### **4 GOING CONCERN**

The Consolidated Entity has incurred a net loss of \$6,486,581 for the financial year ended 30 June 2020 (2019: \$7,029,178) and had net assets attributable to investors of \$8,352,265 (2019: \$16,375,366) as at that date. At the date of this report, there are financial liabilities of \$2,586,146 repayable or due for repayment within 12 months. If sufficient funding is not obtained and loan agreements are not extended, there is significant liquidity risk that may result in the Consolidated Entity not being able to continue as a going concern.

Burrell Avenue Developments Pty Limited's external bank loan, as outlined in Note 15, expired on 28 February 2021. The loan extension documentation has not been formally finalised as this is contingent upon plan sealing by the local authority. The directors of the Responsible Entity are confident that this loan will be extended for a further 6 to 12 months which they estimate will be sufficient to finalise the sale of finished goods. In the event external funding is not obtained, there is the possibility to obtain funding by preference shares from a related entity.

An investor of the Rosedene Development Class of Units ("Rosedene") made a claim against Rosedene on 30 March 2020 for a delay in construction and cost overruns. A notice to defence was filed by Rosedene. The outcome of the proceeding and prospect of settlement are not certain at this stage. The Consolidated Entity has been advised by its legal counsel that the proceedings and prospect of settlement are not certain at this stage. Accordingly, no provision for any liability has been made in the financial statements as at 30 June 2020. Refer to note 21.

The directors of the Responsible Entity have determined that Chermiside Residences Development Pty Ltd is not considered a going concern. Due to events outside the control of the sub-fund including weather and ground works issues, the sub-fund has incurred construction costs significantly above the forecasted costs. This has resulted in accumulative impairment of the inventory over the term of the project of \$2,483,313 (2019: \$2,116,526). During the 2020 financial year, the sub-fund has also been engaged in legal disputes against the previous builder. Chermiside has fully paid all claims in the 2020 financial year. On 11 May 2020 the unitholders of the Chermiside Residence Class of Units resolved, to extend the term of the Class of Units for five years to enable the sub-fund to hold the investment property for rental income and capital appreciation once the development of the underlying asset is completed. As at 30 June 2020, the project is a work in progress, and was finalised subsequent to year end. Refer to note 11 for further details and also to 27. Chermiside's position is not considered material to the Consolidated Entity as a whole.

The Director's do not believe that any of the nearing due, or overdue loans as stated above will be recalled within the next 12 months or until sufficient sale proceeds are received to repay the loans. There is no history of overdue loans being recalled, however it is possible that these debts can be recalled and if this does occur and there is no additional external funding or sales proceeds able to fund the remaining cost to complete, the entities impacted will no longer be considered a going concern.

These financial statements do not give effect to any adjustments which could be necessary should the Consolidated Entity be unable to continue as a going concern and therefore be required to realise its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements. Given the historical losses and loan agreements nearing due or overdue and other matters noted above, there exists a material uncertainty that the consolidated entity will achieve the above and continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.



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**5 NET ASSETS ATTRIBUTABLE TO INVESTORS – LIABILITY**

Quantitative information about the Consolidated Entity's net assets attributable to unitholders is provided in the Statement of Changes in Net Assets Attributable to Unitholders. The Consolidated Entity manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

Investors within the Consolidated Entity are issued classes of units which correspond with the particular development the investors are investing in. Classes of units are issued with a fixed term and no withdrawal rights. Prior to the expiry of a class of units, properties corresponding to that class of units must be sold and net proceeds distributed to investors. Investors in a class of units will have a proportional beneficial interest in the property corresponding to that class of units. Investors will not have a beneficial interest in a property corresponding to another class of units.

<b>6 INTEREST INCOME</b>	<b>Consolidated 2020</b>			<b>Consolidated 2019</b>		
	<b>Balance</b>	<b>Interest income</b>	<b>Average rate</b>	<b>Balance</b>	<b>Interest income</b>	<b>Average rate</b>
Cash & cash equivalents	\$ 1,189,325	\$ 7,319	% 1%	\$ 1,133,798	\$ 14,646	% 1%

**7 INCOME TAX**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
<i>Income tax expense</i>	<b>\$</b>	<b>\$</b>
Current tax	-	-
Deferred tax - origination and reversal of temporary differences	629,832	1,172,477
Aggregate income tax expense	<u>629,832</u>	<u>1,172,477</u>

Deferred tax included in income tax benefit comprises:

Deferred tax assets	-	881,988
Deferred tax liabilities	629,832	290,489
Deferred tax - origination and reversal of temporary differences	<u>629,832</u>	<u>1,172,477</u>

*Numerical reconciliation of income tax expenses and tax at the statutory rate*

Loss before income tax benefit	<u>(5,856,749)</u>	<u>(5,856,701)</u>
Tax at the statutory tax rate of 27.5% (2019: 27.5%)	(1,610,606)	(1,610,593)
<i>Tax effect amounts which are not deductible/(taxable) in calculating taxable income:</i>		
Cost of sales	612,866	-
Impairment	739,199	-
Other - sundry	(13,392)	18,086
Capitalised interest	(1,473,497)	-
Blackhole expenditure	<u>(25,633)</u>	<u>87,777</u>
	<u>(1,771,063)</u>	<u>(1,504,730)</u>
<i>Income tax expense</i>		
Derecognition of tax losses and temporary differences	629,832	881,988
Tax losses not recognised in current year *	1,986,989	1,504,730
Previously unrecognised temporary difference now recognised	<u>(215,926)</u>	<u>290,489</u>
Income tax expense	<u>629,832</u>	<u>1,172,477</u>

\* Unrecognised tax losses of the Consolidated Entity amount to \$17,896,091 as at 30 June 2020.

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**8 CASH AND CASH EQUIVALENTS**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Cash held with banks	1,189,325	1,133,798

*Reconciliation to cash and cash equivalents at the end of the financial year*

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	1,189,325	1,133,798
Balance as per statement of cash flows	1,189,325	1,133,798

**9 OTHER RECEIVABLES**

GST receivables	178,379	525,698
Other receivables	59,974	198,785
	238,353	724,483

Included within other receivables are amounts due from related parties. Refer to Note 23 for further details.

**10 OTHER ASSETS**

Bonds	353,696	332,721
Prepayments	-	226,558
Accrued revenue	37,041	234,749
	390,737	794,028

**11 INVENTORIES**

Work in progress	56,449,808	50,908,804
Finished goods	-	2,599,830
Closing balance	56,449,808	53,508,634

*Reconciliation of the movement since the beginning of the previous financial year:*

Opening balance	53,508,634	46,995,005
Acquisitions	11,818,056	16,555,388
Capitalisation of interest	5,372,077	3,690,424
Disposals	(10,682,728)	(5,926,110)
Provision for impairment	(3,566,230)	(4,707,159)
Transferred to investment property	-	(3,098,914)
Closing balance	56,449,808	53,508,634

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**11 INVENTORIES (CONT'D)**

	Acquisition date	Opening Balance	Capitalised Costs / Acquisitions	Disposals	Impairment Provision	Book value 30 June
		\$	\$	\$	\$	\$
<i>The following table presents individual properties owned by the Consolidated Entity:</i>						
<b>2020</b>						
Paddington	31-May-13	1,825,003	436,686	(2,261,688)	-	-
Park Avenue	20-Jan-15	7,114,689	1,843,379	(4,347,597)	-	4,610,471
Stafford	16-Jun-14	774,828	-	(774,829)	-	-
Burrell	6-Feb-15	3,325,534	1,047,786	(81,694)	-	4,291,625
Rosedene	27-Apr-15	3,782,420	635,990	(2,709,039)	(878,234)	831,136
Bryna	16-Jul-15	9,269,432	2,436,876	-	(923,946)	10,782,361
Chermside **	1-Oct-15	1,352,420	315,486	-	(366,787)	1,301,119
Fernvale	23-Jun-17	6,795,260	885,199	(507,881)	(1,397,263)	5,775,315
Glenvale	2-Feb-18	19,269,049	9,588,731	-	-	28,857,780
		<u>53,508,634</u>	<u>17,190,132</u>	<u>(10,682,728)</u>	<u>(3,566,230)</u>	<u>56,449,808</u>
<b>2019</b>						
Paddington	31-May-13	3,621,107	43,170	(1,839,276)	-	1,825,003
Park Avenue	20-Jan-15	6,736,139	2,822,434	(2,443,884)	-	7,114,689
Stafford	16-Jun-14	1,431,143	120,072	(776,387)	-	774,828
Livingstone *	31-Jul-14	3,040,716	58,199	(3,098,915)	-	-
Burrell	6-Feb-15	4,155,221	336,896	(866,563)	(300,020)	3,325,534
Rosedene	27-Apr-15	5,385,669	799,328	-	(2,402,577)	3,782,420
Bryna	16-Jul-15	7,925,557	2,083,785	-	(739,910)	9,269,432
Chermside	1-Oct-15	1,162,035	958,943	-	(768,559)	1,352,420
Fernvale	23-Jun-17	4,605,811	2,685,542	-	(496,092)	6,795,260
Glenvale	2-Feb-18	8,931,608	10,337,441	-	-	19,269,049
		<u>46,995,005</u>	<u>20,245,811</u>	<u>(9,025,025)</u>	<u>(4,707,158)</u>	<u>53,508,634</u>

\* A resolution of unitholders was passed to hold finished goods as investment property.

\*\* A resolution of unitholders was passed on 11 May 2020 to hold the finished goods as investment property. As at 30 June 2020, the development is a work in progress, subsequently, the development was completed. Refer to note 4 and 27 for further details.

**Title**

All titles held are freehold.

**Work in progress**

Work in progress relates to seven (2019: seven) developments in Queensland being undertaken by the Consolidated Entity. Some of these developments have entered into fixed price agreements as at 30 June 2020 and under these agreements the Consolidated Entity has commitments of \$14,749,824 (2019: \$13,929,272) for the completion of construction under these contracts. Included within the commitments is \$7,902,527 (2019: \$6,898,133) of commitments relating to Glenvale Devine Developments Pty Ltd.'s construction contract. Refer to note 22 and 21 for further details.

**Finished goods**

Included in inventories is \$nil (2019: \$2,599,830) relating to two (2019: two) completed developments being Paddington View Residences and Stafford Residences Development as at 30 June 2020. Both of these developments have been completely sold during the 2020 financial year.

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**11 INVENTORIES (CONT'D)**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Impairment</i>		
Impairment of \$3,566,230 (2019: \$4,707,158) has been recorded to account for inventories at their net realisable value.		

The impairment for each work in progress development is based on the as if complete valuation and underlying sales value, as observed from previous sales and not the current state of work in progress. As a result of this, it has been determined that there is an increased uncertainty that the inventory balance is reflective of the value of the work in progress inventory balances at their stage of construction.

*Economic dependency*

All of the projects within the individual SPV's are being developed by VentureCrowd Property Australia Pty Ltd. Should VentureCrowd Property Australia Pty Ltd be unable to complete the projects under the existing contracts, this may result in a significant negative economic impact on the projects and their recoverability. Refer to Note 23 for further details relating to VentureCrowd Property Australia Pty Ltd, a related party.

*Debt security and ranking*

The Burrell Avenue Developments property has been mortgaged under a bank loan. Refer to Note 15 for further information.

The Park Avenue Development, Bryna Parade Development and Livingstone Street Residence Development have been mortgaged under external, third-party loans. Refer to Note 15 for further details.

The Glenvale Devine Road Development has been mortgaged under a related party loan. Refer to Note 15 for further details.

Various subsidiaries of the Consolidated Entity have issued preference shares to assist with funding of the various projects. These preference shares have priority repayment over ordinary unitholders in the various classes of units of the Consolidated Entity.

The Responsible Entity ("RE"), recorded a breach during the financial year relating to the preference shares on issue from the Development Income Fund ("DIF") to the Rosedene, Chermside and Fernvale Developments. The Rosedene, Chermside and Fernvale Developments breached the DIF preference share terms by exceeding the funding limits. The director's of the RE determined it was in the best interest of the investors to breach these terms. Without DIF involvement, there was a risk the project's would have been substantially delayed causing an erosion of investors capital. Notwithstanding the breach, the Directors considered this action to be in the best interest of the investors. The RE representing the DIF investors has agreed to not pursue any potential action arising from breached terms.

**12 INVESTMENT PROPERTIES**

Investment properties	3,610,000	3,610,000
Set out below, is a reconciliation of the movement in investment properties for the financial year ended 30 June 2020 and the financial year ended 30 June 2019:		
Opening balance	3,610,000	-
Transfers from inventories	-	3,098,914
Net gain from fair value adjustments	-	511,086
Closing balance	3,610,000	3,610,000

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**12 INVESTMENT PROPERTIES (CONT'D)**

**Consolidated**  
**2020                      2019**  
**\$                              \$**

The Consolidated Entity's investment properties consist of five residential commercial properties in Australia. Management determined that the investment properties consist of one classes of assets – residential – based on the nature, characteristics and risks of each property.

As at 30 June 2020, the fair values of the properties are based on an independent third-party valuation performed on 20 July 2018, further supported by a market appraisal performed on 10 February 2021.

Set out below, is a reconciliation of the amounts recognised in the income statement for the investment properties for the financial year ended 30 June 2020 and the financial year ended 30 June 2019:

Rental income derived from investment properties	128,267	90,949
Direct operating expenses generating rental income	(39,915)	-
Direct operating expenses that did not generate rental income	(165,438)	(83,733)
Profit/(loss) arising from investment properties carried at fair value	<u>(77,085)</u>	<u>7,216</u>

The Consolidated Entity has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Fair value hierarchy disclosure for investment properties are in Note 17.

Reconciliation of fair value of residential properties:

Opening balance	511,086	-
Remeasurement recognised in profit or loss	-	511,086
Closing balance	<u>511,086</u>	<u>511,086</u>

*Livingstone Street Residence Development Pty Ltd*

On 28th August 2018, the unitholders of the Livingstone Street Residence Class of Units resolved to extend the term of the Class of Units for five years to enable the sub-fund to hold the underlying developed townhouses for rental returns and capital appreciation. As a result, the finished goods inventory was transferred to investment properties on this date. Livingstone Street Residences Development Pty Ltd has issued preference shares to assist with funding of the construction of this property. These preference shares have priority repayment over ordinary unitholders in the corresponding classes of units of the Consolidated Entity. Refer to Note 16 for further information. The property has been mortgaged under a third-party external loan. Refer to Note 15 for further details.

**13 DEFERRED TAXES**

*Deferred tax assets comprises temporary differences attributable to:*

Amounts recognised in profit or loss:

Tax losses	-	-
Deferred taxes asset	-	-
<i>Movements:</i>		
Opening balance	-	881,988
Derecognised through profit or loss	-	(881,988)
Closing balance	<u>-</u>	<u>-</u>

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**13 DEFERRED TAXES (CONT'D)**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Deferred tax liabilities comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Inventories – work in progress	1,191,954	562,122
Deferred tax liabilities	<u>1,191,954</u>	<u>562,122</u>
<i>Movements:</i>		
Opening balance	562,122	271,633
Tax (expense) / benefit recognised through profit / loss	<u>629,832</u>	<u>290,489</u>
Closing balance	<u>1,191,954</u>	<u>562,122</u>

Carried forward tax losses and other temporary differences have not have not been recognised as deferred taxes in the 2020 financial year as the consolidated entity does not meet the recognition criteria.

**14 PAYABLES**

Trade payables and accruals	3,774,488	3,808,901
Deposits	-	311,947
	<u>3,774,488</u>	<u>4,120,848</u>

Deposits in the prior year related to instalments made under two house and land package purchases in Park Avenue Development. As at 30 June 2020, there were no house and land package purchases.

**15 LOANS**

Bank loan	1,591,046	1,491,324
External loans	12,237,433	6,728,479
Loans from related parties	20,500	7,767
	<u>13,848,979</u>	<u>8,227,570</u>

*Bank Loan*

Loans payable consist of a bank loan amounting to \$1,591,046 (2019: \$1,491,324) which is interest bearing at 5.50% (2019: 4.25%), maturing on 28 February 2021 and has a first mortgage security over Burrell Avenue Development's property as outlined in Note 4 and Note 18. The directors of the Responsible Entity are confident that this loan will be extended for a further 6 to 12 months as required to complete and sell the underlying properties, however no formal documentation has been signed at the date of this report.

*External Loans*

Loans includes \$12,237,433 (2019: \$6,728,479) of loans with external financiers, as detailed below:

- The Park Avenue Development's loan amounting to \$535,000 (2019: \$3,235,000) is interest bearing at 12%. The loan was subsequently repaid in September 2020. The loan has first registered mortgage over Park Avenue Development's property as outlined in Note 11.
- The Stafford Residences Development repaid all loans during the year (2019: \$463,479).
- The Livingstone Street Residence Development's loan amounting to \$2,215,168 (2019: \$1,330,000) is interest bearing at 10%, due to mature on 13 May 2021 and has first registered mortgage over Livingstone Street Residence Development's property as outlined in Note 12.

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**15 LOANS (CONT'D)**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<ul style="list-style-type: none"> <li>The Glenvale Devine Road Development's loan amounting to \$995,100 (2019: \$1,700,000) is interest bearing at 12% p.a. and has first registered mortgage over the property. The full balance of the loan will come to maturity on 30 June 2021. This is a related party loan, refer to note 23 for further details. The prior year loan of \$1,700,000 was fully repaid during the year using DIF preference share funding.</li> <li>The Bryna Parade Development loan amount of \$8,492,166 (2019: \$nil) is interest bearing at 10% per annum. Refer to note 11 for further details.</li> </ul>		

*Loans from related parties*

Loans payable also include \$20,500 (2019: \$7,767) of loans from related parties which is interest free and unsecured as outlined in Note 23.

**16 PREFERENCE SHARES**

Preference shares issued	<u>34,710,537</u>	<u>30,485,037</u>
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Cumulative preference shares have been issued to related parties from various development special purpose vehicles within the Consolidated Entity. The preference shares are interest bearing at 12% per annum, are redeemable 12 months from the date of issue and have priority repayment over investor units.

*Debt covenants*

On 11 May 2020, the Director's of the Responsible Entity resolved, with agreement from the RE representing DIF investors, to reduce the interest on the Development Income Fund preference shares to 6% for Glenvale, Fernvale and Rosedene and 4% for Chermside (increasing to 6% once construction is complete). As at 30 June 2020, various preference shares issued were due for redemption, however will not be redeemed until the properties underlying the developments are completed and sold. Refer to Note 23 for further information.

During the financial year, the Rosedene, Chermside and Fernvale Development's breached the DIF preference share terms by exceeding the funding limits, refer to note 11 for further details.

*Reconciliation:*

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

Opening value	30,485,037	19,361,106
Issued during the year	14,136,500	16,683,435
Redeemed during the year	(9,911,000)	(5,559,504)
Closing value	<u>34,710,537</u>	<u>30,485,037</u>

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**17 FAIR VALUE MEASUREMENT**

FAIR VALUE MEASUREMENT		Fair Value Measurement Using			
	Date of Valuation	Total	Quoted prices in active market (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)
Investment Properties					
Fair value measurement hierarchy at 30 June 2020:					
Residential properties	20-Jul-18	3,610,000	-	3,610,000	-
Fair value measurement hierarchy at 30 June 2019:					
Residential properties	20-Jul-18	3,610,000	-	3,610,000	-

There were no transfers between Level 1 and 2 during the financial year ended 30 June 2020 and 2019.

As at 30 June 2020, the fair value of the properties are based on an independent valuation performed on 20 July 2018, further supported by a market appraisal performed on 10 February 2021. Refer to note 12 for further details.

**18 FINANCIAL INSTRUMENTS**

The Consolidated Entity's assets principally consist of inventories, investment property and cash investments. It holds these assets at the discretion of the Responsible Entity and Investment Committee in accordance with the Fund's constitution and Product Disclosure Statement.

The allocation of assets between the various types of assets described above is determined by the Fund's Manager and Investment Committee who manage the Consolidated Entity's portfolio of assets to achieve the Consolidated Entity's investment objectives.

The Consolidated Entity's investing activities expose it to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

The nature and extent of the financial instruments employed by the Consolidated Entity are discussed below. This note presents information about the Consolidated Entity's exposure to each of the above risks, the Consolidated Entity's objectives, policies and processes for measuring and managing risks.

The Board of Directors of the Responsible Entity and Investment Committee has overall responsibility for the establishment and oversight of the Consolidated Entity's risk management framework.

The Board and Investment Committee is responsible for developing and monitoring the Consolidated Entity's risk management policies, including those related to its investment activities. The Consolidated Entity's risk management policies are established to identify and analyse the risks faced by the Consolidated Entity, including those risks managed by the Responsible Entity and Investment Committee, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated Entity's activities.



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**18 FINANCIAL INSTRUMENTS (CONT'D)**

**Note**

**Consolidated**  
**2020                  2019**  
**\$                      \$**

The Board and Investment Committee monitors compliance with the Consolidated Entity's risk management strategies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Consolidated Entity.

**Market risk**

Market risk is the risk that changes in market prices, such as interest rates and property values will affect the Consolidated Entity's income. Market risk embodies the potential for both loss and gains. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Market risk is managed by the Board of Directors and Investment Committee.

*Property value risk*

The majority of the Consolidated Entity's assets are inventories which represent residential development properties. As a result, the Consolidated Entity is subject to property value risk from fluctuations in the prevailing levels of market property values. Changes in property values could have an effect on the net realisable value of the developments which would in turn impact the underlying value of the unitholders funds.

*Interest rate risk*

A significant portion of the Consolidated Entity's financial assets and financial liabilities are interest-bearing. Interest-bearing financial assets and financial liabilities have variable interest rates and/or mature in the short-term. As a result, the Consolidated Entity is subject to exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash is invested in an interest-bearing deposit account with an Australian regulated banking institution.

*Interest rate sensitivity*

The Consolidated Entity's interest rate risk is monitored on a monthly basis by the Board of Directors and Investment Committee.

*Interest rate profile*

The interest rate profile of the Consolidated Entity's interest-bearing financial instruments was:

**Fixed and variable rate instruments**

Cash and cash equivalents	8	1,189,325	1,133,798
Loans	15	13,848,979	8,227,570
Preference shares	16	34,710,537	30,485,037
		<u>48,559,516</u>	<u>38,712,607</u>

An increase or decrease of 100 basis points in interest rates as at the reporting date would have an insignificant effect on the net assets attributable to unitholders and operating results.

The Consolidated Entity has issued preference shares which pay fixed interest of 12% per annum to the debt holders. On 11 May 2020, the Director's of the Responsible Entity resolved to reduce the interest on the Development Income Fund preference shares to 6% for Glenvale, Fernvale and Rosedene and 4% for Chermiside (increasing to 6% once construction is complete). Refer to note 16 for further details.

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**18 FINANCIAL INSTRUMENTS (CONT'D)**

	Note	Consolidated 2020	2019
		\$	\$
<b>Credit risk</b>			
Credit risk is the risk that a counterparty to a financial instruments will fail to discharge an obligation or commitment that it has entered into with the Consolidated Entity. The Responsible Entity and Investment Committee manage the exposure to credit risk on an ongoing basis.			
The Consolidated Entity's maximum exposure to credit risk at the reporting date was:			
Cash and cash equivalents	8	1,189,325	1,133,798
Other receivables	9	238,353	724,483
Other assets	10	390,737	794,028
		<u>1,818,415</u>	<u>2,652,309</u>

All of the cash held by the Consolidated Entity is held by Australian regulated banks.

**Liquidity risk**

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity's liquidity risk is managed on a monthly basis by the Board of Directors and Investment Committee in accordance with the policies and procedures in place.

Investors are not eligible to redeem their units in the Consolidated Entity prior to the expiration of their relevant investment term as outlined in the Product Disclosure Statements. In the event that the underlying properties for each development are not sold prior to the expiration of the term, the term of the investment is automatically extended by the Consolidated Entity.

The following are the contractual maturities of financial liabilities, excluding interest payments and excluding the impact of netting agreements:

	Carrying value	Contractual cash flows	0-6 Months	6- 12 Months	1-2 years	More than 2 years
<b>Consolidated 2020</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade payable	3,774,488	3,774,488	3,774,488	-	-	-
Loans **	13,848,979	13,848,979	13,848,979	-	-	-
Pref shares*	34,710,537	34,710,537	875,000	32,990,537	845,000	-
	<u>52,334,004</u>	<u>52,334,004</u>	<u>18,498,467</u>	<u>32,990,537</u>	<u>845,000</u>	<u>-</u>
<b>2019</b>						
Trade payable	4,120,848	4,120,848	4,120,848	-	-	-
Loans	8,227,570	8,227,570	8,227,570	-	-	-
Pref shares*	30,485,037	30,485,037	500,000	15,462,500	8,447,000	6,075,537
	<u>42,833,455</u>	<u>42,833,455</u>	<u>12,848,418</u>	<u>15,462,500</u>	<u>8,447,000</u>	<u>6,075,537</u>

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**18 FINANCIAL INSTRUMENTS (CONT'D)**

\* The preference shares have a Redemption Date of 12 months from the date of issue or upon sale of the assets by the issuer, whichever occurs earlier. Should the issuers project remain incomplete, unsold or otherwise unable to generate sufficient funds to redeem the Preference Shares at the Redemption Date, then the issuer will have right to automatically extend the term until sufficient profits are achieved in order for them to redeem the Preference Shares. Preference shares from related parties is dependent on the related parties ability to raise external funding. During the financial year, the Rosedene, Chermside and Fernvale Development's breached the DIF preference share terms by exceeding the funding limits, refer to note 11 and 16 for further details.

\*\* Burrell Avenue Development Pty Ltd's Westpac loan matured on 28 February 2021 and has not been formally extended as at the date of this report. Refer to note 4 and 15 for further details.

**Fair value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Consolidated Entity's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Consolidated Entity's operations.

The objective of the Responsible Entity and Investment Committee is to manage operational risk so as to balance the avoidance of financial losses and damage to the Consolidated Entity's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Responsible Entity and Investment Committee. This responsibility is supported by the development of standards for the management of operational risk in the following areas:

- appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

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**19 KEY MANAGEMENT PERSONNEL DISCLOSURES**

**Consolidated**  
**2020                      2019**  
**\$                              \$**

The directors of Guardian Securities Limited are considered to be Key Management Personnel of the Consolidated Entity. The Directors of the Responsible Entity in office during the year and up to the date of the report are:

Guy Hasenkam	
Christopher Wilson	(resigned 24 January 2020)
Errol Jackson	(resigned 24 January 2020)
Steven Maarbani	(appointed 21 January 2020)
Craig Hart	(appointed 4 February 2020)
Darren Tasker	(appointed 24 January 2020, resigned 4 February 2020)

In addition to the Directors noted above, Guardian Securities Limited, the Responsible Entity of the Consolidated Entity, is considered to be Key Management Personnel with the authority for the strategic direction and management of the Consolidated Entity.

No amount is paid by the Consolidated Entity directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 "Related Party Disclosures" is paid by the Consolidated Entity to the Directors as Key Management Personnel.

Guardian Securities Limited provides management services to the Fund. Transactions between the Fund and the Responsible Entity result from normal dealings with that company as the Fund's Responsible Entity. Guardian Securities Limited is an Australian Financial Services License holder.

Guardian Securities Limited receives all management fees that have been paid by the Consolidated Entity during the year. The Consolidated Entity paid the following fees to the Responsible Entity during the financial year:

*Compensation*

Management fees paid to Guardian Securities Limited	8,414	213,711
Management fees payable to Guardian Securities Limited	253,416	289,982
	<u>261,830</u>	<u>503,693</u>

*Other*

The Consolidated Entity has not made, guaranteed or secured, either directly or indirectly, any loans to the Directors and Key Management personnel of the Responsible Entity, or their personally related entities, at any time during the financial year.

No Directors and Key Management Personnel of the Responsible Entity, or their personally related entities, have entered into a material contract with the Consolidated Entity, with the exception of Guy Hasenkam who has invested in the Consolidated Entity through units and preference shares as outlined below:

Preference shares held in Livingstone Street Residences Development Pty	-	<u>100,000</u>
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The preference shares are on the same terms as all other preference shares issued within the Consolidated Entity and are interest bearing at 12% per annum, redeemable 12 months from the date of issue and have priority repayment over ordinary unitholder in the various classes of units of the Consolidated Entity.

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**20 AUDITORS REMUNERATION**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
During the financial year the following fees were paid or payable for services provided by PKF (Gold Coast) the auditor of the Fund, its network firms and unrelated firms:		
<i>Audit and assurance services – PKF (Gold Coast)</i>		
Audit of the financial statements and compliance plan	62,800	62,822
Half-year review of the financial statements	23,100	23,100
<i>Other services – PKF (Gold Coast)</i>		
Tax compilation and advice	28,000	28,000
	<u>113,900</u>	<u>113,922</u>

**21 CONTINGENT LIABILITIES**

An investor of the Rosedene Development Class of Units ("Rosedene") has made a claim against Rosedene on 30 March 2020 for a delay in construction and cost overruns. A notice to defence was filed by Rosedene.

The Consolidated Entity has been advised by its legal counsel that the proceedings and prospect of settlement are not certain at this stage. Accordingly, no provision for any liability has been made in the financial statements as at 30 June 2020.

The Consolidated Entity did not have any contingent liabilities as at 30 June 2020 (2019: \$nil), other than those noted above.

**22 COMMITMENTS**

The Consolidated Entity has commitments of \$14,749,824 (2019: \$13,929,272) for the completion of construction under the fixed price contracts entered into by various developments. Included within the commitments is \$7,902,527 (2019: \$6,898,133) of commitments relating to Glenvale Devine Developments Pty Ltd.'s construction contract. Refer to note 11 for further details.

There are no other commitments, either capital, operating or finance, as at 30 June 2020 (2019: \$nil).

**23 RELATED PARTIES**

***Parent entity***

SMSF Property Fund is the parent entity.

***Subsidiaries***

Interests in subsidiaries are set out in Note 25.

***Key management personnel***

Disclosures relating to key management personnel are set out in Note 19.

***Transactions with related parties***

Finance and interest costs paid on preference shares	<u>3,073,403</u>	<u>2,996,081</u>
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**SMSF PROPERTY FUND  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**23 RELATED PARTIES (CONT'D)**

**Consolidated**  
**2020                      2019**  
**\$                              \$**

Finance and interest costs have been paid to The Guardian Investment Fund which is a registered scheme of which Guardian Securities Limited also acts as Responsible Entity. The costs are in relation to the preference shares issued which are outlined below.

Apart from the other transactions disclosed below and those disclosed above, there are no transactions with related parties during the financial year ended 30 June 2020 (2019: \$nil).

***Receivables from and payables to related parties***

Trade payables to The Guardian Investment Fund	975,892	282,411
Loans payable to Guardian Securities Limited	500	7,467
Loans payable to VentureCrowd Property Australia Pty Ltd	20,000	-
Loans payable to VentureCrowd Property Australia Pty Ltd, a related entity to the Responsible Entity, are unsecured, interest free and at call.		
Loans payable to VentureCrowd Nominees Pty Ltd	995,100	-

Refer to note 15 for further details on the loan payable to VentureCrowd Nominees Pty Ltd.

Apart from the other transactions disclosed below, there are no receivables from or payables to related parties as at 30 June 2020 (2019: \$nil).

***Related party investments held by the Consolidated Entity***

The Consolidated Entity has no investment in related parties as at 30 June 2020 (2019: \$nil).

***Related party investments***

Preference shares	32,840,537	28,295,037
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Preference shares have been subscribed for by The Guardian Investment Fund which is a registered scheme of which Guardian Securities Limited also acts as the Responsible Entity.

Apart from the other transactions disclosed below, no related parties have investments in the Consolidated Entity as at 30 June 2020 (2019: \$nil).

***Other related party transactions***

The Consolidated Entity is dependent upon the ongoing successful operation of VentureCrowd Property Australia Pty Ltd ("the property development manager"), VentureCrowd Capital Pty Ltd ("the authorised representatives"), VentureCrowd Sales Pty Ltd ("the sales agent") and Integrated Civil Pty Ltd ("the civil works company"). These entities facilitate the development, construction and capital raising of the Consolidated Entity's developments.

Given the relationship between the Consolidated Entity and these parties, they are considered to be related parties and as a result the following transactions have occurred between the Consolidated Entity and these related parties during the financial year:

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**23 RELATED PARTIES (CONT'D)**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Property development manager transactions</i>		
The following fees were paid by the Consolidated Entity to the property development manager during the financial year:		
Property Development fees paid to VentureCrowd Property Australia Pty Ltd	1,317,224	3,252,230
Property Development fees payable to VentureCrowd Property Australia Pty Ltd	705,978	53,886
	<u>2,023,202</u>	<u>3,306,115</u>
<i>Marketing and promotion transactions</i>		
The following marketing and promotional fees were paid by the Consolidated Entity to the sales agent during the financial year:		
Marketing and promotional fees paid to VentureCrowd Sales Pty Ltd	269,988	326,913
Marketing and promotional fees payable to VentureCrowd Sales Pty Ltd	78,399	-
	<u>348,387</u>	<u>326,913</u>
Marketing and promotional fees paid to VentureCrowd Capital Pty Ltd	33,345	502,733
Marketing and promotional fees payable to VentureCrowd Capital Pty Ltd	53,701	25,446
	<u>87,046</u>	<u>528,179</u>
<i>Investing activities</i>		
Employees and associates of the property development manager and authorised representative have invested the following amounts into the Consolidated Entity at year end:		
Investments into the fund	<u>1,286,498</u>	<u>1,390,762</u>

These investments are on normal terms and conditions as provided to other investors.

**24 PARENT ENTITY INFORMATION**

The Corporations Act requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by regulation 2M.3.01 which requires the following limited disclosure in regards to the parent entity, SMSF Property Fund. The consolidated financial statements incorporate the assets, liabilities and results of the parent entity in accordance with the accounting policy described in Note 2.

Total assets	31,234,370	32,778,541
Total liabilities	339,297	350,509
Net assets attributable to investors – liability	<u>30,895,073</u>	<u>32,428,032</u>
Total comprehensive income	-	-
Change in net assets attributable to investors	<u>-</u>	<u>-</u>

*Guarantees*

No guarantees have been entered into by the parent entity in relation to debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

*Contractual commitments*

The parent entity has no contractual commitments as at 30 June 2020 and 30 June 2019.

*Contingent liabilities*

The parent entity has no contingent liabilities as at 30 June 2020 and 30 June 2019.

**SMSF PROPERTY FUND  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**24 PARENT ENTITY INFORMATION (CONT'D)**

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in Note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

**25 SUBSIDIARIES**

The consolidated financial statements incorporates the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2.

Name of entity	Country of Incorporation	Equity holding	
		2020 %	2019 %
Paddington View Residences Development Pty Ltd	Australia	100	100
Park Avenue Developments Pty Ltd	Australia	100	100
Stafford Residences Development Pty Ltd	Australia	100	100
Livingstone Street Residences Development Pty Ltd	Australia	100	100
Burrell Avenue Developments Pty Ltd	Australia	100	100
Rosedene Street Residences Development Pty Ltd	Australia	100	100
Bryna Parade Residences Development Pty Ltd	Australia	100	100
Chermside Residences Development Pty Ltd	Australia	100	100
Fernvale Development Pty Ltd	Australia	100	100
Glenvale Devine Developments Pty Ltd	Australia	100	100

**26 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES**

	Consolidated	
	2020 \$	2019 \$
Profit/(loss) from operating activities after tax and distributions	(6,486,581)	(7,029,178)
<i>Adjustments for non-cash items:</i>		
<i>Movements in working capital:</i>		
Increase/(decrease) in accounts payable	(346,359)	1,190,849
Decrease/(increase) in inventories	(2,941,174)	(6,513,629)
Decrease/(increase) in investment property	-	(3,610,000)
(Increase)/decrease in receivables	889,421	(868,059)
(Increase)/decrease in deferred taxes	629,832	1,172,477
Cash flows from operating activities	<u>(8,254,861)</u>	<u>(15,657,540)</u>

**27 EVENTS SUBSEQUENT TO REPORTING DATE**

The final lot of Stafford Residences Development Pty Ltd was sold in March 2020. The funds from the sale were used to repay the external loan outstanding and a final distribution was made to unit holders in December 2020. The fund is due to be wound up subsequent to year end. Refer to 15 for further details.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

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**27 EVENTS SUBSEQUENT TO REPORTING DATE (CONT'D)**

Subsequent to year end, Burrell Avenue Development Pty Ltd completed all site works and is currently awaiting the required plan sealing, by the local authority, to enable sale of the finished goods. It is anticipated that Westpac will issue formal contract extension documentation beyond the maturity date of 28 February 2021 once approval from the local authority has been received. Interest continues to accrue in respect of this loan.

Park Avenue Developments Pty Ltd has made sales subsequent to year end and used funds generated from the sale to repay the external loan outstanding at year end. The loan was fully repaid in September 2020. Refer to Note 15 for further details.

Subsequent to year end, Chermside Residence Development Pty Ltd finalised the construction of the inventories which are intended to be rented for a period of five years. Refer to note 4 for further details.

Subsequent to year end, the global pandemic of COVID-19 has a significant impact on various industries including the real estate and property market. The impact of the pandemic has been assessed with regards to the Group however due to the uncertainty of the situation, the Group is unable to quantify the impact and will continue to assess the situation as it evolves. If the situation subsequently evolves in that there is a decline in the property market having a negative impact on rent and sales, this may impact on the valuation of the investment properties and inventories held by the Group.

Subsequent to year end, various developments have entered into sales contracts with standard sales terms and in accordance with forecast projections.

There have been no other transactions or events of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

**SMSF PROPERTY FUND  
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**DIRECTORS' DECLARATION  
30 June 2020**

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In the opinion of the directors of Guardian Securities Limited, Responsible Entity of SMSF Property Fund and its Consolidated Entities:

- a. the attached financial statements and notes thereto comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- b. the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- c. the attached financial statements and notes thereto give a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- d. there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors,



**Steven Maarbani**  
Director

26 March 2021  
Sydney

## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF SMSF PROPERTY FUND**

### **Audit Opinion**

We have audited the accompanying general purpose financial report of SMSF Property Fund ("the Fund"), which comprises the Consolidated Statement of Financial Position as at 30 June 2020, and the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Net Assets Attributable to Unitholders and Consolidated Statement of Cash Flows for the financial year ended, and notes to the financial statements including a summary of significant accounting policies, and the declaration by the Directors of Guardian Securities Limited ("the Responsible Entity") of SMSF Property Fund and the consolidated entity comprising of SMSF Property Fund and the entities it controlled at year's end or from time to time during the financial year.

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

### **Basis of Opinion**

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

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

### **Material Uncertainty Related to Going Concern**

We draw your attention to Note 4 in the financial report, which indicates the Consolidated Entity has incurred a net loss after tax of \$6,486,581. We also draw your attention to Note 15 in the financial report which indicate that financial liabilities of \$2,586,146 are repayable or due for repayment within 12 months after the date of this report. Subsequent to year end the group has raised \$7,242,363 to finance its projects and have sold properties to the value of \$5,699,404. These events or conditions, along with other matters as set forth in Note 4, indicate that a material uncertainty exists that may cast significant doubt on the Consolidate Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Emphasis of Matter - Inventories Valuation**

We draw attention to Note 11 of the financial report, which describes the basis for impairment and the potential impact on the net realisable value. Our opinion is not modified in respect of this matter.

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## **Independence**

We are independent of the Fund in accordance with the with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

## **Other Information**

The Responsible Entity is responsible for the other information. The other information comprises the information included in the Fund's annual report for the year end 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

## **Responsibilities of The Directors of the Responsible Entity for the Financial Report**

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

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

The directors of the Responsible Entity are responsible for overseeing the Fund's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Report**

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Responsible Entity.
- Conclude on the appropriateness of the directors of the Responsible entity 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's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors of the Responsible Entity with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



**PKF (Gold Coast)**



**Michael Sheehy**  
Registered Company Auditor

26 March 2021  
Gold Coast