## Storehouse Residential Trust and its Controlled Entity

## ARSN 135 812 074

Consolidated financial report for the year ended 30 June 2020

## Index to the Consolidated Financial Statements

## Directors' Report

The directors of One Managed Investment Funds Limited (ABN 47 117 400 987; AFSL 297042) ("OMIFL" or the "Responsible Entity"), the responsible entity of Storehouse Residential Trust (ARSN 135 812 074) (the "Fund") and its controlled entities (the "Group"), submit their report on the Group for the year ended 30 June 2020.

**Responsible Entity**

The registered office and principal place of business of the Responsible Entity is Level 16, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000.

**Investment Manager**

The investment manager is Storehouse Pty Limited (ACN 106 578 018) ("Investment Manager"). The principal place of business of the Investment Manager is Level 15, Deloitte Building, 60 Station Street East, Parramatta NSW 2150.

**Directors and Senior Management**

The names of the directors and company secretary of the Responsible Entity, during the year and up to the date of this report are:

| Name | Title |
|---|---|
| Frank Tearle | Executive Director and Company Secretary |
| Sarah Wiesener | Executive Director and Company Secretary |
| Michael Sutherland | Executive Director (appointed as a director on 1 October 2019) |
| Justin Epstein | Non-Executive Director (resigned as a director on 1 October 2019) |

**Principal Activities**

The Fund is a registered managed investment scheme domiciled in Australia. The principal activity of the Group is to invest funds in properties in accordance with the investment objectives and guidelines set out in its current Supplementary Product Disclosure Statement and in accordance with the provisions of its Constitution.

The Fund has invested in a sub-trust where it is the sole beneficiary and unitholder. This sub-trust was being used to purchase and develop a dual income property in Werribee, Victoria and in Marsden Park, NSW. A contract of sale has been exchanged on the Werribee property with expected settlement in early October 2020. The property known as Marsden Park property was purchased this reporting period. In prior years it was reported that the sub-trust was intended to be wound up. Following the settlement of the Werribee property and the newly acquired Marsden Park property however, the sub-trust will no longer be wound up. The consolidation of the sub-trust is included in the financial report.

The Group did not have any employees during the year.

**Review of Operations**

***Results***

The results of operations of the Group are disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The profit attributable to unitholders for the year ended 30 June 2020 was $9,609 (2019: $6,637 loss).

***Distributions***

Total distribution payable to unitholders for the financial year ended 30 June 2020 amounted to $155,149 (2019: $96,799) or 2.00 cents per unit (2019: 2.00 cents per unit).

For further details regarding distributions paid and payable during the year, refer to Note 4 of the consolidated financial statements.

***Total Assets***

The value of the Group's assets as at the end of the financial year is $8,296,845 (2019: $5,235,770) as disclosed in the Consolidated Statement of Financial Position and the basis of valuation is provided in Note 2 to the consolidated financial statements.

## Directors' Report (continued)

**Subsequent Events**
The coronavirus, COVID-19, was first identified as a new, highly contagious virus in December 2019. The World Health Organisation declared a global pandemic in March 2020 and as at 30 June 2020, COVID-19 remains prevalent throughout the world, including Australia. COVID-19 has caused unprecedented disruption to populations, businesses and general economic activity. As the situation evolves, it continues to have significant impacts on investment funds and their trustees and managers, both directly and indirectly.

As this situation continues, the Investment Manager has been monitoring both the valuation of the Group's assets and the Group's liquidity and is in close contact with clients and service providers in assessing the ongoing operations, liquidity, and lending arrangements and the basis of the values and estimates reported. In these circumstances, there is uncertainty around valuations. The Investment Manager will continue to closely monitor market situations to ensure that valuations remain appropriate. The Investment Manager will provide resources and updates where necessary to provide informed guidance for investors during this continuing environment.

The Group entered into a contract of sale with a purchaser on 1 July 2020 in respect of the Werribee property. The total sale price is $320,000 with estimated selling costs of $8,590. The settlement is expected to occur in early October 2020.

Other than above, there has not been any matter or circumstance that significantly affects or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

**Likely Developments and Expected Results of Operations**
The Group will continue to be managed in accordance with the investment objectives and guidelines set out in its Supplementary Product Disclosure Statement and in accordance with the provisions of its Constitution. Future results will accordingly depend on the performance of the markets to which the Group is exposed.

Investment performance is not guaranteed and future results may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further details of likely future developments in the operations of the Group, and the expected results of those operations in future financial years, have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

***Responsible Entity's Transactions with the Group and Interest Held in the Group***
The number of interests in the Group as at the end of the reporting period is 7,757,436 units (2019: 4,840,202 units). The number of interests held by the Responsible Entity and its related parties as at the end of the reporting period is nil.

No withdrawals were made by the Responsible Entity and its related parties during the financial year as disclosed in Note 15.

The fees paid to the Responsible Entity and its associates out of Group property during the financial year is $73,170 (2019: $71,039) as disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

**Environmental Regulation and Performance**
The operations of the Group are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Group.

**Indemnification of Directors, Officers and Auditors**
During or since the financial year, the Group has not indemnified or made a relevant agreement to indemnify an officer of the Responsible Entity or auditor of the Group or any related corporate body against a liability incurred by an officer of the Responsible Entity or auditor of the Group. In addition, the Group has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer of the Responsible Entity or auditor of the Group.

## Directors' Report (continued)

**Proceedings on Behalf of the Group**

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

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

***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 page 4.

Signed in accordance with a resolution of the Board of Directors.

On behalf of the directors of the Responsible Entity, One Managed Investment Funds Limited.

Frank Tearle
Director
30 September 2020

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30 September 2020

The Directors
One Managed Investment Funds Limited
As the Responsible Entity of Storehouse Residential Trust
Level 16
Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Dear Directors

## Storehouse Residential Trust

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of One Managed Investment Funds Limited.

As lead audit partner for the audit of the financial report of Storehouse Residential Trust and its Controlled Entity for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

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

Yours sincerely

Crowe Sydney

**Crowe Sydney**

JHaydon

**John Haydon**
Senior Partner

## Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020

| | Note | Year ended 30 June 2020 $ | Year ended 30 June 2019 $ |
|---|---|---|---|
| **Income** | | | |
| Interest income | | 179,225 | 76,658 |
| Expense recovery | | - | 122,310 |
| Net gain/(loss) on financial instruments (shared equity) held at fair value through profit or loss | | 50,598 | (23,809) |
| Net gain on investment property held at fair value | | 16,371 | 997 |
| Net (loss)/gain on investment in stocks | | (40,700) | 24,200 |
| Other income | | 7,846 | 13,795 |
| **Total income** | | **213,340** | **214,151** |
| **Expenses** | | | |
| Responsible entity fees | | 73,170 | 71,039 |
| Accounting expenses | | 23,597 | 19,531 |
| Bank charges | | 159 | 162 |
| Filing fees | | 1,245 | 1,710 |
| Registry fees | | 7,266 | 8,429 |
| Custodial fees | | 21,810 | 21,654 |
| Audit fees | | 26,871 | 25,528 |
| Tax fees | | 3,229 | 3,135 |
| Write-off Expenses | | - | 39,603 |
| Other expenses | | 46,384 | 29,997 |
| **Total expenses** | | **203,731** | **220,788** |
| **Profit/(Loss) attributable to unitholders** | | **9,609** | **(6,637)** |
| **Total comprehensive profit/(loss) for the year attributable to unitholders** | | **9,609** | **(6,637)** |
| **Distribution of Profits** | | | |
| Profit attributable to unitholders | | 9,609 | - |
| Distributions to unitholders | | (155,149) | (96,799) |
| **Undistributed profits for the year** | | **-** | **-** |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.

## Consolidated Statement of Financial Position as at 30 June 2020

| | Note | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 5 | 33,586 | 207,962 |
| Trade and other receivables | 6 | 6,633 | 1,940 |
| Other assets | 7 | 173,314 | 22,147 |
| Assets held for sale | 8 | 320,000 | - |
| **Total current assets** | | **533,533** | **232,049** |
| **Non-current assets** | | | |
| Investment property | 8 | 550,000 | 360,487 |
| Intangible assets | 9 | 361,585 | 418,501 |
| Financial assets | 10 | 6,851,727 | 4,224,733 |
| **Total non-current assets** | | **7,763,312** | **5,003,721** |
| **Total assets** | | **8,296,845** | **5,235,770** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 11 | 92,232 | 77,240 |
| Distribution payable | 4 | 155,149 | 96,799 |
| Funding facility | 13 | 192,235 | 92,219 |
| **Total current liabilities** | | **439,616** | **266,258** |
| **Total liabilities** | | **439,616** | **266,258** |
| **Net assets** | | **7,857,229** | **4,969,512** |
| **Net assets attributable to unitholders** | | | |
| Unitholders’ funds | 12 | 7,857,229 | 4,969,512 |
| **Total equity** | | **7,857,229** | **4,969,512** |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.

## Consolidated Statement of Changes in Equity for the year ended 30 June 2020

| | Note | Unitholders Funds $ | Undistributed Profit/(Losses) $ | Total Equity $ |
|---|---|---|---|---|
| **Balance at 1 July 2018** | | **2,757,682** | **(98,516)** | **2,659,166** |
| **Comprehensive income** | | - | (6,637) | (6,637) |
| Net applications/redemptions for units | | 2,413,782 | - | 2,413,782 |
| Distribution to unitholders | 4 | - | (96,799) | (96,799) |
| Total transactions with unitholders | | 2,413,782 | (103,436) | 2,310,346 |
| **Balance at 30 June 2019** | | **5,171,464** | **(201,952)** | **4,969,512** |
| | | | | |
| **Balance at 1 July 2019** | | **5,171,464** | **(201,952)** | **4,969,512** |
| **Comprehensive income** | | - | 9,609 | 9,609 |
| Net applications/redemptions for units | | 3,033,257 | - | 3,033,257 |
| Distribution to unitholders | 4 | - | (155,149) | (155,149) |
| Total transactions with unitholders | | 3,033,257 | (145,540) | 2,887,717 |
| **Balance at 30 June 2020** | | **8,204,721** | **(347,492)** | **7,857,229** |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.

## Consolidated Statement of Cash Flows for the year ended 30 June 2020

| | Note | Year ended 30 June 2020 $ | Year ended 30 June 2019 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Proceeds from shared equity and fixed rate returns | | 209,981 | 77,832 |
| Payments to suppliers and others | | (299,224) | (180,807) |
| Expense recovery | | - | 122,310 |
| Interest received | | 2,864 | 1,085 |
| **Net cash provided by/(used in) operating activities** | 5 | **(86,379)** | **20,420** |
| **Cash flows from investing activities** | | | |
| Distribution income received from investment in stocks | | 9,380 | 9,010 |
| Payment for capitalised formation costs | | (1,207) | - |
| Payment for investment property costs | | (468,142) | - |
| Proceeds from shared equity and fixed rate investment exits | | 550,313 | 58,533 |
| Payments for shared equity and fixed rate investments | | (3,214,815) | (2,458,291) |
| **Net cash used in investing activities** | | **(3,124,471)** | **(2,390,748)** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 100,016 | - |
| Net proceeds from issuance of units | | 3,005,869 | 2,403,241 |
| Net distributions paid | | (69,411) | (40,308) |
| **Net cash provided by financing activities** | | **3,036,474** | **2,362,933** |
| **Net increase/(decrease) in cash and cash equivalents** | | **(174,376)** | **(7,395)** |
| Cash and cash equivalents at the beginning of financial year | | 207,962 | 215,357 |
| **Cash and cash equivalents at the end of financial year** | 5 | **33,586** | **207,962** |
| **Non-cash financing activities** | | | |
| Distribution reinvestments | 5 (a) | 27,383 | 10,538 |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.

# Notes to the Consolidated Financial Statements for the year ended 30 June 2020

### 1. General Information

Storehouse Residential Trust (ARSN 135 812 074) ("SRT") is an Australian registered managed investment scheme. SRT was constituted and registered as managed investment scheme on 25 March 2009. SRT together with its controlled entities (“Group”) is a for-profit entity for financial reporting purposes.

The responsible entity of SRT is One Managed Investment Funds Limited (ABN 47 117 400 987; AFSL 297042) ("OMIFL" or the "Responsible Entity"). The registered office and principal place of business of the Responsible Entity is Level 16, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000.

Storehouse Pty Ltd (“Storehouse” or the “Investment Manager”) is the investment manager of the Group.

The consolidated financial statements cover Storehouse Residential Trust and its sub-trust SRT Werribee Trust, where Storehouse Residential Trust is the only unitholder and sole beneficiary (“Group”).

The consolidated financial statements were authorised for issue by the directors on 30 September 2020. The directors of the Responsible Entity have the power to amend and reissue the consolidated financial statements.

### 2. Summary of Significant Accounting Policies

#### a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board (AASB). The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar. The amounts presented are in Australian dollars, which is the Group’s functional currency.

The financial statements have been prepared on a going concern basis. The Responsible Entity, on advice from the Investment Manager, has a reasonable expectation that the future applications and income will be sufficient to enable the Group to meet its liabilities as and when they become due and payable.

#### b) Income tax

Under current tax legislation, the Group is not liable to pay income tax as unitholders are presently entitled to the income of the Group and income of the Group is fully distributable to unitholders. See Note 2(h) for further details on distributions and income tax.

#### c) Financial instruments

**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified ‘at fair value through profit or loss’ in which case transaction costs are recognised as expenses in profit or loss immediately.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2020

**2. Significant Accounting Policies (continued)**

**c) Financial instruments (continued)**

**Classification and subsequent measurement**

Financial instruments are subsequently measured at fair value or amortised cost depending on their classification. Classification is determined based on the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all other financial assets and liabilities held at fair value, including recent arm's length transactions, reference to similar instruments and option pricing models.

**(i) Financial assets at fair value through profit or loss**

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss. The Group's participation in a capital gain on shared equity investment is classified as a derivative and is measured at fair value through profit or loss.

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

**(iii) Financial liabilities**

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

**Impairment**

Impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

**Derecognition**

Financial assets are derecognised when the contractual right to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are either discharged, cancelled or expire. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2020

**2. Significant Accounting Policies (continued)**

**d) Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**e) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Consolidated Statement of Financial Position.

**f) Unitholders' funds**

Units issued by the Group are redeemable at the option of the unitholder ("puttable"). As the units satisfy all of the criteria for recognition as puttable financial instruments under paragraphs 16A and 16B of AASB 132: *Financial Instruments: Presentation*, unitholders' funds are classified as equity. Units are measured at their issue price.

**g) Applications and redemptions of units**

*Redemption request while Group is liquid*

While the Group is liquid, any unitholder may request that some or all of their units be redeemed. Upon making such a request, the unitholder will have no right to deal with the units (unless and until the request is denied by the Responsible Entity).

*Redemption request while Group is not liquid*

While the Group is a registered scheme but is not liquid, the Responsible Entity may make a withdrawal offer to all unitholders or to members in a class. A unitholder may withdraw from the Group in accordance with the terms of any current withdrawal offer.

Applications received for units are recorded net of any entry fees payable prior to the issue of units. Redemptions are recorded after the cancellation of the corresponding redeemed units. The application and redemption prices of units are determined on the basis of the value of the Group's net assets on the date of the application or redemption divided by the number of units on issue on that date. A full description of the method used to calculate application and redemption prices of units is provided in the Group's Supplementary Product Disclosure Statement (PDS) and the Group's Constitution. Refer to Note 12 to these financial statements for further discussion of the features of the units.

**h) Distribution to unitholders**

The Group's Constitution requires that the Group distribute, at a minimum, the "net income" (as defined in the Income Tax Assessment Act 1936) derived during the financial year. This means the net assessable income of the Group is fully distributable to the unitholders, either by way of cash or reinvestment (i.e. unitholders are entitled to the entire profit of the Group). Accordingly, the Group does not pay income tax provided that the distributable income of the Group is fully distributed to unitholders.

**i) Revenue and other income**

Revenue is measured at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2020

**2. Significant Accounting Policies (continued)**

**i) Revenue and other income (continued)**

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Investment property revenue is recognised on a straight-line basis over the period of the lease term so as to reflect a constant periodic rate of return on the net investment.

All revenue is stated net of the amount of goods and services tax.

**j) Trade and other receivables**

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

**k) Trade and other payables**

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

**l) Goods and services tax (GST)**

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Consolidated Statement of Financial Position.

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

**m) Basis of consolidation**

The Group’s financial statements consolidate those of the Storehouse Residential Trust and its sub-trust as of 30 June 2020. The parent controls a sub-trust if it is exposed, or has rights, to variable returns from its involvement with the sub-trust and has the ability to affect those returns through its power over the subsidiary. The sub-trust has a reporting date of 30 June.

All transactions and balances between the Group and sub-trust are eliminated on consolidation. Amounts reported in the financial statements of the sub-trust have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2020

**2. Significant Accounting Policies (continued)**

**n) Parent entity information**

Information relating to Storehouse Residential Trust ('the Parent Entity'):

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Statement of financial position** | | |
| Current assets | 167,964 | 228,355 |
| Total assets | 8,104,609 | 5,143,550 |
| Current liabilities | 247,380 | 174,038 |
| Total liabilities | 247,380 | 174,038 |
| Net assets | 7,857,229 | 4,969,512 |
| Unitholders' funds | 7,857,229 | 4,969,512 |
| Total equity | 7,857,229 | 4,969,512 |
| | | |
| **Statement of profit or loss and other Comprehensive Income** | | |
| Profit/(Loss) for the year | 9,609 | (6,637) |
| Other comprehensive income | - | - |
| Total comprehensive income/(loss) | 9,609 | (6,637) |

The Parent entity has no capital commitments.

The Parent entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at the year end.

**o) Critical accounting estimates and judgments**

The Investment Manager evaluates estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information up to and including the date of this report. The Investment Manager has relied upon independent data reported by leading research groups including RP Data, Australian Property Monitors and Residex for the calculation of the shared equity fair value adjustment. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. The Investment Manager has made recommendations to the Responsible Entity for the year ended 30 June 2020. These recommendations have been adopted. Actual results may differ from these estimates.

**p) Investment property**

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model. Investment properties are revalued annually and are included in the Consolidated Statement of Financial Position at their open market value. These values are supported by market evidence and are determined by external property professionals with sufficient experience with respect to both the location and the nature of the investment property.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss within change in fair value of investment property.

**q) New accounting standards for application in future periods**

The directors have reviewed those Australian Accounting Standards issued or amended, but not yet effective and have not been adopted in the financial report, and determined that there will be no material impact on the amounts included in the financial report.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2020

**2. Significant Accounting Policies (continued)**

**r) New and amended standards adopted by the Group**

The Group has adopted all the amendments to Australian Accounting Standards issued by the Australian Accounting Standards Board, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning 1 July 2019.

None of the amendments have had a significant impact on the Group.

**3. Auditor's remuneration**

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Remuneration of the auditor of the Group for: | | |
| - Audit of the consolidated financial statements Crowe Sydney | 22,000 | 21,000 |
| - Audit of the compliance plan Ernst & Young | 3,500 | 3,400 |
| | **25,500** | **24,400** |

**4. Unitholders' Distribution**

Distributions paid and payable by the Group for the year are:

| | $ | 30 June 2020<br>cents/unit | $ | 30 June 2019<br>cents/unit |
|---|---|---|---|---|
| Distribution payable for the year | 155,149 | 2.00 | 96,799 | 2.00 |
| | **155,149** | **2.00** | **96,799** | **2.00** |

**5. Cash and cash equivalents**

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Cash at bank | 33,586 | 207,962 |
| | **33,586** | **207,962** |

**Reconciliation of cash**

Cash at the end of the financial year as shown in the Consolidated Statement of Cash Flows is reconciled to the related items in the Consolidated Statement of Financial Position as follows.

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Reconciliation of profit attributable to unitholders to cash flow from operations** | | |
| Profit (Loss) attributable to unitholders | 9,609 | (6,637) |
| **Non-cash items included in profit or loss** | | |
| Fair value gains | (26,269) | (1,388) |
| Distribution income | (7,845) | (13,795) |
| Amortisation of formation costs | 33,123 | 28,885 |
| **Movements in assets and liabilities** | | |
| (Increase)/decrease in trade and other receivables | (4,693) | 35,640 |
| (Increase) in other current assets | (152,702) | (4,127) |
| Decrease in financial assets | 47,407 | - |
| Increase/(decrease) in trade and other payables | 14,992 | (18,158) |
| | **(86,379)** | **20,420** |

## Notes to the Consolidated Financial Statements for the year ended 30 June 2020

### 5. Cash and cash equivalents (continued)

**a) Net distributions paid during the period**

During the year income distributions totalling $27,383 (2019: $10,538) were reinvested by unitholders for additional units in the Group.

### 6. Trade and other receivables

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Current** | | |
| Other Receivables | 6,633 | 1,940 |
| | **6,633** | **1,940** |

All of the receivables are non-interest bearing. There are no receivables past due or impaired as at the reporting date.

**a) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group has a material credit risk exposure to Storehouse Pty Limited, a related party of Investment Manager. The following table details the Group's receivables potentially exposed to credit risk with ageing analysis and associated impairment, if any. Amounts are considered 'past due' when the debt has not been settled within the terms and conditions agreed between the Group and the debtor. Receivables that are past due are assessed for impairment by ascertaining the solvency of the debtor and provided for when there is objective evidence of specific circumstances indicating that the debt may not be repaid in full.

The balances of receivables that remain within initial terms (as detailed in the table below) are considered to be of high credit quality.

| 2020 | Credit Rating | Gross amount<br>$ | Past due and impaired<br>$ | <30<br>$ | 31 - 60<br>$ | 61 - 90<br>$ | >90<br>$ | Within Initial Trade Terms<br>$ |
|---|---|---|---|---|---|---|---|---|
| Prepaid asset | n/a | 111,860 | - | - | - | - | - | 111,860 |
| Other receivables | n/a | 6,633 | - | - | - | - | - | 6,633 |
| Financial assets - loans and receivables | n/a | 6,423,372 | - | - | - | - | - | 6,423,372 |
| **Total** | | **6,541,865** | **-** | **-** | **-** | **-** | **-** | **6,541,865** |

| 2019 | Credit Rating | Gross amount<br>$ | Past due and impaired<br>$ | <30<br>$ | 31 - 60<br>$ | 61 - 90<br>$ | >90<br>$ | Within Initial Trade Terms<br>$ |
|---|---|---|---|---|---|---|---|---|
| Other receivables | n/a | 1,940 | - | - | - | - | - | 1,940 |
| Financial assets - loans and receivables | n/a | 3,726,087 | - | - | - | - | - | 3,726,087 |
| **Total** | | **3,728,027** | **-** | **-** | **-** | **-** | **-** | **3,728,027** |

**b) Collateral held as security**

No collateral is held as security for other receivable balances. Registered second mortgages over property are held as security for the financial assets - loans and receivables.

**c) Collateral pledged**

No trade and other receivable balances have been pledged as collateral.

# Notes to the Consolidated Financial Statements for the year ended 30 June 2020

## 6. Trade and other receivables (continued)

### d) Fair value

Receivables are expected to be recovered within a short term and fair value is therefore equivalent to carrying amount.

Unsecured loans and receivables from related parties are deemed to be at call and repayable on demand. Their carrying amounts are equivalent to fair value.

## 7. Other assets

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Australian Taxation Office refunds due | 36,644 | 3,878 |
| Accrued income | 21,560 | 13,483 |
| Other assets | 3,250 | 4,786 |
| Prepaid asset | 111,860 | - |
| | **173,314** | **22,147** |

## 8. Investment property

The Group purchased land in Werribee, Victoria in June 2016. The intention was to build a dual occupancy dwelling on the property and the plans were drawn up to achieve that. The location is in a master planned community with easy access to local amenities and a high potential of steady capital growth.

Council discussions and negotiations to get the plan approved to commence construction for the dual occupancy dwelling have proved to be unsuccessful and the land was listed on the market. The Group entered into a contract of sale for the property with a purchaser on 1 July 2020. The total sale price is $320,000 with estimated selling costs of $8,590. The settlement is expected to occur in early October 2020.

The Group also purchased land in Marsden Park, NSW in April 2020 with the same intention and discussions have already commenced with builders to design and construct on a fixed price basis a two-storey residence and granny flat which will be will be held for long-term.

A summary of movement in Investment Property is set out below:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| **Beginning balance** | 360,487 | 347,592 |
| Purchase and direct costs incurred | 493,142 | 11,898 |
| Fair value adjustment | 16,371 | 997 |
| **Closing balance** | **870,000** | **360,487** |

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| **Investment Property** | | |
| Assets held for sale | 320,000 | - |
| Non-current | 550,000 | 360,487 |
| **Closing balance** | **870,000** | **360,487** |

## Notes to the Consolidated Financial Statements for the year ended 30 June 2020

### 9. Intangible assets

Details of the Group's intangible assets and their carrying amounts are as follows:

| 2020 | Options $ | Internally developed software $ | Formation Costs $ | Total $ |
|---|---|---|---|---|
| **Gross carrying amount** | | | | |
| Balance at 1 July 2019 | 150,000 | - | 298,185 | 448,185 |
| Addition, separately acquired | - | - | 1,207 | 1,207 |
| Disposal | (25,000) | - | - | (25,000) |
| **Balance at 30 June 2020** | **125,000** | **-** | **299,392** | **424,392** |

| | Options $ | Internally developed software $ | Formation Costs $ | Total $ |
|---|---|---|---|---|
| **Amortisation and impairment** | | | | |
| Balance at 1 July 2019 | - | - | 29,684 | 29,684 |
| Amortisation | - | - | 33,123 | 33,123 |
| **Balance at 30 June 2020** | **-** | **-** | 62,807 | 62,807 |
| **Carrying amount 30 June 2020** | **125,000** | **-** | **236,585** | **361,585** |

| 2019 | Options $ | Internally developed software $ | Formation Costs $ | Total $ |
|---|---|---|---|---|
| **Gross carrying amount** | | | | |
| Balance at 1 July 2018 | 150,000 | - | 297,663 | 447,663 |
| Addition, separately acquired | - | 2,645 | 522 | 3,167 |
| Transfer to receivables | - | (2,645) | - | (2,645) |
| **Balance at 30 June 2019** | **150,000** | **-** | **298,185** | **448,185** |

| | Options $ | Internally developed software $ | Formation Costs $ | Total $ |
|---|---|---|---|---|
| **Amortisation and impairment** | | | | |
| Balance at 1 July 2018 | - | - | 798 | 798 |
| Amortisation | - | - | 28,886 | 28,886 |
| **Balance at 30 June 2019** | **-** | **-** | **29,684** | **29,684** |
| **Carrying amount 30 June 2019** | **150,000** | **-** | **268,501** | **418,501** |

During the financial year ending 30 June 2016, the sub-trust entered into an agreement to acquire the option to purchase dual income compact dwellings in masterplanned and developing areas throughout Australia (options). These properties are not readily available to the market and are specially designed to generate dual income with the option to have strata titles dividing the property into dual titles. This will support the planning and strategy of the Group's operations. The agreement was terminated effective 30 June 2018. The Group has retained the first right of refusal on any properties that would have been available had the agreement remained in place.

Diversity Housing sourced the opportunity for the Group to acquire the Marsden property utilising $25,000 of the remaining options balance and has been added to the cost of purchase of the new property in sub-trust.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2020

### 10. Financial assets

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Loans and receivables | 6,423,372 | 3,726,087 |
| Designated at fair value through profit or loss: | | |
| Shared equity investment | 302,205 | 331,797 |
| Investment in listed equities | 126,150 | 166,849 |
| Total financial assets held at fair value through profit or loss | 428,355 | 498,646 |
| **Total financial assets** | **6,851,727** | **4,224,733** |

The shared equity investment represents the fair value of the Group's share in the increase in value of the underlying shared equity investments. It is a derivative instrument designated at fair value through profit or loss.

**a) Fair value measurement of financial instruments**

Financial assets and financial liabilities measured at fair value in the Consolidated Statement of Financial Position are grouped into three levels of a fair value hierarchy. These levels are defined based on the observability of significant inputs to the measurement, as follows:

**Level 1**: Quoted unadjusted prices in active markets for identical assets or liabilities.
**Level 2**: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
**Level 3**: Unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2020 and 30 June 2019.

| | 30 June 2020 | | | |
|---|---|---|---|---|
| **Financial assets** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Shared equity investment | - | - | 302,205 | 302,205 |
| Investment in listed equities | 126,150 | - | - | 126,150 |
| **Net fair value** | **126,150** | **-** | **302,205** | **428,355** |

| | 30 June 2019 | | | |
|---|---|---|---|---|
| **Financial assets** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Shared equity investment | - | - | 331,797 | 331,797 |
| Investment in listed equities | 166,849 | - | - | 166,849 |
| **Net fair value** | **166,849** | **-** | **331,797** | **498,646** |

Fair values of the shared equity investments do not have quoted prices and it has been determined that they are classified as Level 3 of the fair value hierarchy as defined in AASB 13 *Fair Value Measurement*.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar property, or any other valuation technique or model that provides a reliable estimate of prices obtained in actual market transactions.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2020

### 11. Trade and other payables

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| **Current** | | |
| Sundry payables | - | 132 |
| Accrued charges | 92,232 | 77,108 |
| **Total** | **92,232** | **77,240** |

a) Financial liabilities at amortised cost classified as trade and other payables

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Trade and other payables | 92,232 | 77,240 |
| Total current and other payables | **92,232** | **77,240** |

b) The average credit period on trade payables and other payables (excluding applications for units to be processed) is 1 month. No interest is payable on outstanding trade payables during this period. For trade payables outstanding longer than 1 month, 0% per annum is payable on the outstanding balance.

c) The fair value of financial liabilities (including trade and other payables) is equivalent to their carrying amount.

### 12. Units on issue

**a) Units on issue**

The Group has 7,757,436 units on issue (2019: 4,840,202) worth $7,857,229 (2019: $4,969,512) each amounting to $1.01 (2019: $1.03).

| | 2020 | 2019 |
|---|---|---|
| **Number of fully paid units** | | |
| Opening balance | 4,840,202 | 2,602,216 |
| Applications (including reinvestments) | 2,917,234 | 2,237,986 |
| **Closing balance** | **7,757,436** | **4,840,202** |

Each unit represents a right to a proportional share of the net assets of the Group. All units have the same rights attaching to them (identical features). The total expected returns to the holders over the life of the units are based on the profit or loss of the Group. These units are the only class of instruments issued by the Group. Therefore, the Group has issued no other classes of financial instruments that rank above the redeemable units. The units contain no other contractual obligations other than the redemption obligation.

The net asset value per unit as at 30 June 2020 was $1.01 (2019: $1.03).

**b) Capital management**

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide unitholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes issued units and financial liabilities, supported by financial assets and investment properties.

The Group is not subject to any externally imposed capital requirements.

The Responsible Entity effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to unitholders and acquisitions and disposals of financial assets.

The funding facility in relation to the sub-trust has been arranged for by the sub-trust.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2020

### 13. Funding facility

The Group intends to use a funding facility in the sub-trust in order to construct the Marsden Park residential property being the property included in Investment Property. The interest on the prior year funding facility is at a variable rate of 4.06% pa for the duration of the construction of the property. The interest on the current year funding facility established with Home Affordability Solutions Pty Limited is at a rate of 5.75% pa. The $100,000 loan was used for the purchase of the Marsden Park property and is secured over the said property.

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| **Funding facility** | | |
| Advantedge Financial Services | 92,235 | 92,219 |
| Home Affordability Solutions | 100,000 | - |
| | **192,235** | **92,219** |

### 14. Contingent liabilities and contingent assets

As at 30 June 2020, the Group has the following contingent liabilities:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Management fee | 86,193 | 37,576 |
| License fee | 26,424 | 7,100 |
| Tenant fee | 2,256 | 1,504 |
| Insurance fee | 25,670 | 25,670 |
| Rental/Storage fee | 27,601 | 27,601 |
| | **168,144** | **99,451** |

The above fees are considered as contingent fees as they have been deferred until, in a financial year, the net revenues from investments and net realised and unrealised gains (“distributable profits”) exceed costs of the Group including a provision for a distribution to be paid to the investors (“relevant liabilities”). The Responsible Entity intends to only approve for payment that portion of the deferred fees equal to the amount by which the distributable profits exceed the relevant liabilities.

### 15. Related party transactions

The Group’s main related parties are as follows:

***(a) Responsible Entity***

Transactions with entities related to the Responsible Entity are disclosed below.

The Responsible Entity has contracted services to Storehouse Pty Ltd to act as investment manager for the Fund ("Investment Manager"). The contract is on normal commercial terms and conditions.

**Compensation**

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

**Transactions with Responsible Entity and its Associated Entities**

*Responsible Entity fees*

Responsible Entity fees of $73,170 were incurred for the year ended 30 June 2020 (2019: $71,039) of which $18,293 (2019: $17,760) was payable to the Responsible Entity at the end of the year.

*Registry fees*

Registry fees of $7,266 were incurred for the year ended 30 June 2020 (2019: $8,429) of which $4,708 (2019: $3,762) was payable to One Registry Services Pty Limited, a wholly owned subsidiary of One Investment Group, at the end of the year.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2020

### 15. Related party transactions (continued)

***(b) Key Management Personnel***

**Directors and Company Secretaries**
Key management personnel who were directors and company secretaries of the Responsible Entity from 1 July 2019 to 30 June 2020 are as follows:

| Name | Title |
| --- | --- |
| Frank Tearle | Executive Director and Company Secretary |
| Sarah Wiesener | Executive Director and Company Secretary |
| Michael Sutherland | Executive Director (appointed as a director on 1 October 2019) |
| Justin Epstein | Non-Executive Director (resigned as a director on 1 October 2019) |

**Other Key Management Personnel**
Peter Delaney is a director of the Investment Manager. He is considered key management personnel through authorities given in the investment management agreement.

**Key Management Personnel Compensation**
No key management personnel received any remuneration from the Fund.

**Key Management Personnel Unit Holdings**
Key management personnel and their associates and associated entities have held units in the Fund during the financial year as follows:

| | Year ended June 2020 | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| **Unitholder** | **Number of units held Open (units)** | **Number of units held Close (units)** | **Interest held (%)** | **Number of units acquired (units)** | **Number of units disposed (units)** | **Distributions paid/ payable by the Fund ($)** |
| **Peter Delaney** | **15,795** | **96,495** | **1.24** | **105,700** | **(25,000)** | **1,930** |

| | Year ended June 2019 | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| Unitholder | Number of units held Open (units) | Number of units held Close (units) | Interest held (%) | Number of units acquired (units) | Number of units disposed (units) | Distributions paid/ payable by the Fund ($) |
| Peter Delaney | 136,648 | 15,795 | 0.33 | 2,318,935 | (2,439,788) | 316 |

***(b) Other related parties***

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

# Notes to the Consolidated Financial Statements for the year ended 30 June 2020

## 16. Financial risk management

The Group's financial instruments consist mainly of deposits with banks, loans and receivables, accounts receivable and payable, and loans to and from related parties.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| **Financial assets** | | |
| Cash and cash equivalents | 33,586 | 207,962 |
| Prepaid asset | 111,860 | - |
| Trade and other receivables | 6,633 | 1,940 |
| Financial assets – loans and receivables | 6,423,372 | 3,726,087 |
| Financial assets – held at fair value through profit or loss | 428,355 | 498,646 |
| **Total financial assets** | **7,003,806** | **4,434,635** |
| | | |
| **Financial liabilities** | | |
| Financial liabilities at amortised cost | | |
| - Trade and other payables | 92,232 | 77,240 |
| - Unpaid trust distributions | 155,149 | 96,799 |
| - Debt funding | 192,235 | 92,219 |
| **Total financial liabilities** | **439,616** | **266,258** |

**Financial risk management policies**

The Group is exposed to a variety of financial risks as a result of its activities. These risks include credit risk, interest rate risk (market risk) and liquidity risk. The Investment Manager is responsible, under the Investment Management Agreement, for managing these and other risks relevant to the Group. The Group's risk management framework, approved by the directors of the Responsible Entity, aims to assist the Group in meeting its financial targets while minimising the potential adverse effects of these risks on the Group's financial performance. There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Responsible Entity's objectives, policies and processes for managing or measuring the risks from the previous period.

**a) Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties that could lead to a financial loss to the Group. The Group's objective in managing credit risk is to minimise the credit losses incurred shared equity investments as well as on trade and other receivables.

Credit risk is managed by the Group through the Investment Manager maintaining procedures that ensure, to the extent possible, that clients and counterparties are subject to a credit assessment by independent credit-history reporting agencies, which adopts prime credit risk criteria for each investment as defined by the Group's Supplementary Product Disclosure Statement. To this end, the financial stability of clients and counterparties is monitored and assessed on a regular basis by the Investment Manager. Such monitoring is used in assessing receivables and financial assets for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual contracts.

*Credit risk exposure*

The Group's maximum credit risk exposure at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Consolidated Statement of Financial Position. Refer to Note 6(a) to these financial statements for further details on the Group's exposure to credit risk arising from financial assets and trade receivables.

Other than those disclosed in Note 6(a), the Group has no significant concentrations of credit risk with any single counterparty or group of counterparties.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2020

**16. Financial risk management (continued)**
**Financial risk management policies (continued)**
**a) Credit risk (continued)**

*Credit quality*
Trade receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 6.

In regards to cash and cash equivalents, the Group invests only with reputable financial institutions and the credit ratings together with the amounts invested are as follows:

The Group's maximum exposure of credit risk at the reporting date was:

| | Credit Rating | Note | 2020 $ | 2019 $ |
|---|---|---|---|---|
| Cash and cash equivalents | AA | 5 | 33,586 | 207,962 |
| Prepaid asset | n/a | 7 | 111,860 | - |
| Trade and other receivables | n/a | 6 | 6,633 | 1,940 |
| Financial assets – loans and receivables | n/a | 10 | 6,423,372 | 3,726,087 |
| Financial assets – held at fair value through profit or loss | n/a | 10 | 428,355 | 498,646 |
| | | | **7,003,806** | **4,434,635** |

The aging of the Group's financial assets – loans and receivables at the reporting date are as follows:

| | Note | 30 June 2020 | | 30 June 2019 | |
|---|---|---|---|---|---|
| | | Gross $ | Impairment $ | Gross $ | Impairment $ |
| Not past due | 10 | 6,423,372 | - | 3,726,087 | - |
| Past due 0 – 30 days | | - | - | - | - |
| Past due 31 – 60 days | | - | - | - | - |
| Past due 61 – 90 days | | - | - | - | - |
| Past due for more than 90 days | | - | - | - | - |
| | | **6,423,372** | **-** | **3,726,087** | **-** |

*Collateral and other credit enhancements*
The Group's loan assessment policy is based on strict prime credit criteria as described in Note 6(a) and property security is used as collateral. Collateral over the property is held via registered second mortgage on each property. The fair value of the collateral is supported by independent valuations of each property. The Investment Manager is responsible for monitoring the arrangements.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2020

**16. Financial risk management (continued)**
**Financial risk management policies (continued)**
**a) Credit risk (continued)**

The Group accepts collateral if they meet suitable valuation parameters determined by the Investment Manager, which it considers are conservative, reviewed regularly and supported by empirical evidence.

| | 30 June 2020 | | | 30 June 2019 | | |
|---|---|---|---|---|---|---|
| LVR Profile | Total no. of Loans | Total % of Portfolio | Outstanding Loans $ | Total no. of Loans | Total % of Portfolio | Outstanding Loans $ |
| Under 10% | 3 | 2.09% | 134,265 | 2 | 1.74% | 64,672 |
| 10% - 20% | 22 | 33.94% | 2,179,955 | 17 | 40.24% | 1,499,277 |
| 20% - 30% | 23 | 51.04% | 3,278,378 | 11 | 33.94% | 1,264,755 |
| 30% - 40% | 4 | 11.21% | 720,138 | 4 | 21.06% | 784,693 |
| 40% - 50% | 1 | 1.72% | 110,636 | 1 | 3.02% | 112,690 |
| 50% - 60% | - | - | - | - | - | - |
| 60% - 70% | - | - | - | - | - | - |
| 70% - 80% | - | - | - | - | - | - |
| 80% - 90% | - | - | - | - | - | - |
| 90% - 100% | - | - | - | - | - | - |
| | **53** | **100%** | **6,423,372** | **35** | **100%** | **3,726,087** |

*Concentration of loans*

| | | 2020 $ | 2019 $ |
|---|---|---|---|
| i) | Loans to individual or related groups which exceed 10% of total equity | 6,289,107 | 3,661,415 |
| ii) | Geographical concentrations: | | |
| | NSW | 3,553,498 | 2,328,748 |
| | QLD | 1,937,409 | 840,329 |
| | WA | 751,715 | 429,442 |
| | NT | 103,450 | 50,268 |
| | VIC | 77,300 | 77,300 |
| | | **6,423,372** | **3,726,087** |

**b) Liquidity risk**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities as they fall due. The Investment Manager manages this risk for the Group through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets; and
- only investing surplus cash with major financial institutions.

Distributions will be paid from the Group income.

The income generated from the financial assets is received in cash in the form of interest on a monthly basis directly into the cash account.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2020

**16. Financial risk management (continued)**
**Financial risk management policies (continued)**

**c) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises other price risk, interest rate risk and foreign currency risk. The Group is not currently exposed to material other price risk or foreign currency risk as it presently holds no financial instruments measured in a foreign currency. The shared equity investment is held at fair value and is subject to market risk such as fluctuations in the residential property market.

*Interest rate risk*

Interest rate risk is the risk that either the fair value of a financial instrument will fluctuate due to changes in future market interest rates (in the case of fixed rate instruments) or future changes in interest rates will affect the future cash flows (in the case of variable interest instruments). The interest-bearing financial instruments the Group holds are cash and cash equivalents and financial assets. The financial assets include fixed and shared equity investments which are invested at a fixed rate for three years.

*Exposure to interest rate risk*

As at the reporting date the exposure to interest rate risk and the effective weighted average interest rate by maturity is as follows:

| | | | Fixed Interest Rate | | | | |
|---|---|---|---|---|---|---|---|
| **30 June 2020** | **Weighted Average Interest Effective Rate (% pa)** | **Floating Interest Rate $** | **1 year or less $** | **1 to 5 years $** | **More than 5 years $** | **Non-Interest bearing $** | **Total $** |
| **Assets** | | | | | | | |
| Cash and cash equivalents | 0.99 | 33,586 | - | - | - | - | 33,586 |
| Prepaid asset | | - | - | 111,860 | - | | 111,860 |
| Receivables | | - | - | - | - | 6,633 | 6,633 |
| Financial assets – loans and receivables | 3.33 | - | - | 6,423,372 | - | - | 6,423,372 |
| Financial assets – held at fair value through profit or loss | | - | - | - | - | 428,355 | 428,355 |
| **Total financial assets** | | **33,586** | - | **6,535,232** | - | **434,988** | **7,003,806** |
| **Liabilities** | | | | | | | |
| Trade and other payables | | - | - | - | - | 92,232 | 92,232 |
| Distribution payable | | - | - | - | - | 155,149 | 155,149 |
| Debt funding – Advantedge | 4.06 | - | 92,235 | - | - | - | 92,235 |
| Debt funding – HAS | 7.55 | - | 100,000 | - | - | - | 100,000 |
| **Total financial liabilities** | | - | **192,235** | - | - | **247,381** | **439,616** |

## Notes to the Consolidated Financial Statements for the year ended 30 June 2020

### 16. Financial risk management (continued)

**Financial risk management policies (continued)**

**c) Market risk (continued)**

| 30 June 2019 | Weighted Average Interest Effective Rate (% pa) | Floating Interest Rate $ | Fixed Interest Rate: 1 year or less $ | Fixed Interest Rate: 1 to 5 years $ | Fixed Interest Rate: More than 5 years $ | Non-Interest bearing $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and cash equivalents | 1.31 | 207,962 | - | - | - | - | 207,962 |
| Receivables | - | - | - | - | - | 1,940 | 1,940 |
| Financial assets – loans and receivables | 3.38 | - | - | 3,726,087 | - | - | 3,726,087 |
| Financial assets – held at fair value through profit or loss | - | - | - | - | - | 498,646 | 498,646 |
| **Total financial assets** | | **207,962** | **-** | **3,726,087** | **-** | **500,586** | **4,434,635** |
| **Liabilities** | | | | | | | |
| Trade and other payables | - | - | - | - | - | 77,240 | 77,240 |
| Distribution payable | - | - | - | - | - | 96,799 | 96,799 |
| Debt funding | 4.06 | - | 92,219 | - | - | - | 92,219 |
| **Total financial liabilities** | | **-** | **92,219** | **-** | **-** | **174,039** | **266,258** |

The Responsible Entity also manages the Group's interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms.

As the Group does not hold any equity investment or assets and liabilities in foreign currencies, the Group does not consider that it has exposure to equity price risk or currency risk.

**d) Fair values**

Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties to an arm's length transaction. Due to the short-term nature of settlement, the carrying amounts of trade receivables, trade and other payables, and distributions payable approximate their fair values as presented in the Consolidated Statement of Financial Position.

### 17. Events after the reporting period

The coronavirus, COVID-19, was first identified as a new, highly contagious virus in December 2019. The World Health Organisation declared a global pandemic in March 2020 and as at 30 June 2020, COVID-19 remains prevalent throughout the world, including Australia. COVID-19 has caused unprecedented disruption to populations, businesses and general economic activity. As the situation evolves, it continues to have significant impacts on investment funds and their trustees and managers, both directly and indirectly.

As this situation continues, the Investment Manager has been monitoring both the valuation of the Group's assets and the Group's liquidity and is in close contact with clients and service providers in assessing the ongoing operations, liquidity, and lending arrangements and the basis of the values and estimates reported. In these circumstances, there is uncertainty around valuations. The Investment Manager will continue to closely monitor market situations to ensure that valuations remain appropriate. The Investment Manager will provide resources and updates where necessary to provide informed guidance for investors during this continuing environment.

The Group entered into a contract of sale with a purchaser on 1 July 2020 in respect of the Werribee property. The total sale price is $320,000 with estimated selling costs of $8,590. The settlement is expected to occur in early October 2020.

Other than above, there has not been any matter or circumstance that significantly affects or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## Directors' Declaration

The directors of the Responsible Entity declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached consolidated financial statements are in compliance with International Financial Reporting Standards, as stated in Note 2 (a) to the consolidated financial statements; and

(c) in the directors' opinion, the attached consolidated financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the consolidated financial position and performance of the Group.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to Section 295(4) of the *Corporations Act 2001*.

On behalf of the directors of the Responsible Entity, One Managed Investment Funds Limited.

Frank Tearle
Director
30 September 2020

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# Independent Auditor's Report to the Unitholders of Storehouse Residential Trust

## Opinion

We have audited the financial report of Storehouse Residential Trust and its Controlled Entity (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

## Basis for Opinion

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

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

## Responsibilities of the Directors for the Financial Report

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

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

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

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 Group 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 the audit.

**Crowe Sydney**

**John Haydon**
Senior Partner

30 September 2020
Sydney