

**Ethical Property Commercial Fund**

**ABN 82 940 891 053**

Annual report for the financial year ended 30 June 2020

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## Directors' Report

The directors of One Funds Management Limited (ACN 117 797 403; AFSL 300 337) ("the "Trustee"), the trustee of Ethical Property Commercial Fund (ABN 82 940 891 053) (the "Fund"), submit herewith the financial report of the Fund for the year ended 30 June 2020 (the "reporting period").

### Trustee

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

### Asset Manager

The asset manager of the Fund is Ethical Property Australia Pty Ltd (ACN 163 328 617) ("Asset Manager")

### Information about the Directors and Senior Management

The names of the directors and company secretaries of the Trustee are:

Name	Title
Frank Tearle	Executive Director and Company Secretary
Sarah Wiesener	Executive Director and Company Secretary
Michael Sutherland	Executive Director (appointed as Director on 1 October 2019)
Justin Epstein	Non-Executive Director (resigned on 30 June 2020)
Carolyn Tsung	Company Secretary

### Principal Activities

The Fund is an unlisted unregistered property investment trust, incorporated and domiciled in Australia.

The principal activity of the Fund is to accumulate investment properties to generate rental income.

The Fund did not have any employees during the year.

### Distributions

In respect of the financial year ended 30 June 2020, a final distribution of 0.36 cents per unit (2019: 1 cents per unit). was paid to unitholders.

For details of distributions paid and payable during the year, refer to note 13 of the financial statements.

### Value of Assets and Units Issued

The total value of the Fund's assets as at 30 June 2020 was \$40,538,259 (2019: \$38,355,008). The total number of units on issue as at 30 June 2020 was 19,100,100 (2019: 19,100,100).

**Directors' Report (continued)****Review of Operations****Results**

The performance of the Fund, as represented by the results of its operations for the year, was as follows:

	Year ended 30 June 2020	Year ended 30 June 2019
	\$	\$
Rental and other property income	2,176,111	2,019,430
<b>Operating income</b>	<b>2,176,111</b>	<b>2,019,430</b>
Rental property expenses	(1,129,658)	(915,967)
Administration and other expenses	(606,305)	(620,623)
<b>Operating expenses</b>	<b>(1,735,963)</b>	<b>(1,536,590)</b>
Earnings before interest and tax	440,148	482,840
Interest income	-	48
Finance costs	(491,435)	(394,536)
<b>Net interest expense</b>	<b>(491,435)</b>	<b>(394,488)</b>
 <b>Operating earnings attributable to unitholders</b>	 <b>(51,287)</b>	 <b>88,352</b>
 <b>Non-operating items</b>		
Unrealised fair value gain on investment property	1,319,043	1,748,666
Capital allowance	(39,899)	(358,294)
<b>Total non-operating items</b>	<b>1,279,144</b>	<b>1,390,372</b>
 <b>Net (loss)/profit attributable to unitholders</b>	 <b>1,227,857</b>	 <b>1,478,724</b>

The inclusion of operating earnings as a measure of the Fund's profitability provides financial information that is used internally for evaluating performance, making strategic decisions and determining distributions during the year.

**Fees Paid to and Interests Held in the Fund by the Trustee or its Associates**

Fees paid to the Trustee and its associates during the year are disclosed in note 14 of the financial statements.

The fees were paid out of the Fund's property during the year.

The number of interests in the Fund held by the Trustee or its associates as at the end of the financial year are disclosed in note 14 of the financial statements.

**Significant Changes in State of Affairs**

In the opinion of the directors, other than the matters identified in this report, there were no significant changes in the state of affairs of the Fund that occurred during the financial year.

## Directors' Report (continued)

### ***Impact of COVID-19***

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 the date of 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 is continuing, the Asset Manager has been monitoring both the valuation of the Fund's assets and the Fund's liquidity and is in close contact with tenants and service providers in assessing the ongoing operations, liquidity, and lending arrangements and the basis of the values and estimates reported. The Asset Manager took pre-emptive action in March 2020 and worked with tenants to apply a triage approach collaboratively focusing on supporting high-risk businesses (hospitality and retail). By focusing on transparency and relationships with both tenants and suppliers the Fund has been able to withstand the worst impacts of COVID-19 and a sustainable positive cash flow for the Fund, in spite of on-going commitments to tenant rent relief for the 2nd Victorian lockdown. The Asset Manager will continue to closely monitor market situations to ensure that valuations remain appropriate and arranged the revaluation of one of the three Fund assets. This asset saw an increase in its value of 20%, due to the recent increase in occupancy, reduction in operating costs and refurbishment of an entire floor in June 2020. The Asset Manager will provide resources and updates where necessary to provide informed guidance for clients during this rapidly changing environment.

### ***Future Developments***

The Fund will be managed in accordance with the Constitution dated 18<sup>th</sup> December 2015. The Fund has no intention of winding up in the foreseeable future and will continue to acquire, develop and lease commercial property in future. These acquisitions will be made with a long-term hold in mind, for the purposes of generating rental revenue for investors.

### ***Environmental Regulation and Performance***

The operations of the Fund 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 Fund. The Asset Manager has opted to report on a triple bottom line basis in respect of the Fund to ensure transparency and reporting of the Fund's environmental impact. Details of this voluntary reporting can be found on the website following year end.

### ***Indemnification of Directors, Officers and Auditors***

During or since the financial year, the Fund has not indemnified or made a relevant agreement to indemnify an officer of the Trustee or auditor of the Fund or any related corporate body against a liability incurred by an officer of the Trustee or auditor of the Fund. In addition, the Fund has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer of the Trustee or auditor of the Fund.

The Trustee has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Trustee or of any related body corporate against a liability of such an officer or auditor.

On behalf of the directors of One Funds Management Limited.



Frank Tearle

Director

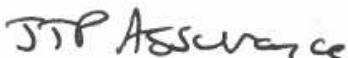
23 December 2020

**ETHICAL PROPERTY COMMERCIAL FUND**  
**ABN: 82 940 891 053**

**AUDITOR'S INDEPENDENCE DECLARATION**  
**UNDER ACCOUNTING PROFESSIONAL AND ETHICAL STANDARDS BOARD'S APES 110 CODE OF**  
**ETHICS FOR PROFESSIONAL ACCOUNTANTS**  
**TO THE TRUSTEES OF ETHICAL PROPERTY COMMERCIAL FUND**

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2020 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



JTP ASSURANCE  
Chartered Accountants



SAM CLARINGBOLD  
Partner

Signed at Melbourne this 4<sup>th</sup> day of January 2021

**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 \$
<b>Revenue</b>			
Rental and other property income	4	2,176,111	2,019,430
Interest income		-	48
Net unrealised fair value gain on investment properties	9	1,319,043	1,748,666
<b>Total revenue</b>		<b>3,495,154</b>	<b>3,768,144</b>
<b>Expenses</b>			
Finance costs	5	491,435	394,536
Administration fees	6	433,875	166,428
Audit fees	8	6,139	2,000
Professional fees		11,758	70,295
Depreciation expense		39,899	358,294
Insurance expense		68,632	62,567
Amortisation		61,510	63,861
Development and research capital expenses		24,391	255,472
Rental property expenses	7	1,129,658	915,967
<b>Total expenses</b>		<b>2,267,297</b>	<b>2,289,420</b>
<b>Net income attributable to unitholders</b>		<b>1,227,857</b>	<b>1,478,724</b>
<b>Net income for the year</b>		<b>1,227,857</b>	<b>1,478,724</b>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income attributable to unitholders</b>		<b>1,227,857</b>	<b>1,478,724</b>

*The accompanying notes to the financial statements should be read in conjunction with this statement.*

**Statement of Financial Position as at 30 June 2020**

	Notes	30 June 2020	30 June 2019
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	16(a)	410,593	112,365
Trade and other receivables		101,950	123,215
Prepayments		70,325	28,354
<b>Total current assets</b>		<b>582,868</b>	<b>263,934</b>
<b>Non-current assets</b>			
Investment properties	9	39,400,000	37,500,000
Fixed assets	10	327,169	340,830
Formation and capital raising		228,222	250,244
<b>Total non-current assets</b>		<b>39,955,391</b>	<b>38,091,074</b>
<b>Total assets</b>		<b>40,538,259</b>	<b>38,355,008</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Distribution payable	13	13,960	191,123
Trade and other payables	11	605,992	184,279
Interest bearing liabilities	17	16,017,987	15,237,342
<b>Total current liabilities</b>		<b>16,637,939</b>	<b>15,612,744</b>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>16,637,939</b>	<b>15,612,744</b>
<b>Net assets attributable to unitholders</b>	12	<b>23,900,320</b>	<b>22,742,264</b>

*The accompanying notes to the financial statements should be read in conjunction with this statement.*

**Statement of Changes in Net Assets Attributable to Unitholders for the year ended 30 June 2020**

	Note	30 June 2020 \$	30 June 2019 \$
Opening balance		<b>22,742,264</b>	<b>21,454,663</b>
Total comprehensive income		1,227,857	1,478,724
Distributions for the year	13	(69,801)	(191,123)
<b>Net assets attributable to unitholders</b>	12	<b>23,900,320</b>	<b>22,742,264</b>

*The accompanying notes to the financial statements should be read in conjunction with this statement.*

**Statement of Cash Flows for the year ended 30 June 2020**

	Note	Year ended 30 June 2020	Year ended 30 June 2019
		\$	\$
<b>Cash flows from operating activities</b>			
Rent received		2,127,806	2,068,264
Finance costs paid		(491,435)	(394,536)
Payments to suppliers		(1,264,628)	(1,441,555)
Net cash provided by operating activities	16(b)	<b>371,743</b>	<b>232,173</b>
<b>Cash flows from investing activities</b>			
Payment for capital improvements and fixed assets		(607,194)	(1,262,601)
Net cash used in investing activities		<b>(607,194)</b>	<b>(1,262,601)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans		780,645	1,331,507
Distributions paid to unitholders		(246,966)	(289,055)
Net cash provided by financing activities		<b>533,679</b>	<b>1,042,452</b>
Net increase in cash and cash equivalents		298,228	12,024
Cash and cash equivalents at the beginning of the year		<b>112,365</b>	<b>100,341</b>
<b>Cash and cash equivalents at the end of the year</b>	16(a)	<b>410,593</b>	<b>112,365</b>

*The accompanying notes to the financial statements should be read in conjunction with this statement.*

## Notes to the Financial Statements

### 1. General Information

This financial report covers Ethical Property Commercial Fund (ABN 82 940 891 053) (the “Fund”). The financial statements cover the period 01 July 2019 to 30 June 2020.

The Fund was constituted on 18<sup>th</sup> December 2015 and is an unlisted, wholesale investment scheme structured as a unit trust. The Fund commences on the Trustee issuing the first units.

The trustee of the Fund is One Funds Management Limited (ACN 117 797 403; AFSL 300 337) (“Trustee”). The Trustee’s registered office and principal place of business is Level 16, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000.

The Fund owns 3 investment properties namely:

- Donkey Wheel House - 673 Bourke Street, Melbourne
- Endeavor House - 2-10 Captain Cook Crescent, Griffith ACT
- Thistlethwaite Street - 16-20 Thistlethwaite Street Melbourne

The investment properties generate rental income for the Fund in order for the Fund to meet its operational requirements.

The Fund is not, nor is it required to be, registered as a managed investment scheme under the Corporations Act 2001 as no issue of units will require the giving of a disclosure document or a product disclosure statement under the Corporations Act 2001.

The financial statements were authorised for issue by the directors on 23 December 2020.

### 2. Adoption of New and Revised Accounting Standards and Interpretations

#### *Standards and interpretations affecting amounts reported in the current year*

There were no new accounting standards adopted during the year which had a significant impact on the reported position and performance of the Fund.

#### *Standards and Interpretations issued but not yet mandatory*

There are no other standards that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

### 3. Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements.

#### *(a) Statement of Compliance*

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements and Interpretations of the Australian Accounting Standard Board and the Fund’s constitution. The directors have elected to prepare the financial statements on this basis to provide the greater transparency and consistency to users and the wider public as to the operations and financial performance of the Fund.

Compliance with Australian Accounting Standards, as issued by the AASB ensures that the financial statements and notes thereto comply with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

## Notes to the Financial Statements

### 3. Significant Accounting Policies (continued)

#### (b) Basis of Preparation

This general purpose financial report is presented in Australian dollars and has been prepared using historical cost convention except for the investment property, which is measured at fair value and discussed in (m) below.

#### (c) Going Concern Basis

This general purpose financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business notwithstanding the Fund's current liabilities exceeded Fund's current assets as at 30 June 2020. The Fund's current liabilities as at 30 June 2020 includes the bank loan facility of \$16,017,987 (30 June 2019 \$15,237,342) which will expire on 31 December 2020. The bank loan has been extended for 3 years and new expiry will be on 31 December 2023.

Rental receipts are forecast to increase to \$3,619,000 in the following financial year 2021, as compared to \$2,127,000 for the financial year ended 30 June 2020, due to increased occupancy in Endeavour House, 100% occupancy in Spark Space and the improved rental income per SQM for Donkey Wheel House.

A significant proportion of the current liabilities as at 30<sup>th</sup> June 2020 were expenses incurred for the refurbishment of level 3 in Endeavour House. This has been paid, as planned, from the debt facility and a new anchor tenant moved into this space in July 2020.

In line with forecasts, the balance sheet has improved, current assets at the end of November 2020 are \$739,549 and current liabilities are \$432,037, with the cash flow forecast projecting an increase to the cash in bank to \$935,466 at the end of June 2021 as a result of recent signings mentioned above.

#### (d) Revenue and Income Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured.

Rental income is brought to account on a straight-line basis over the lease term for leases with fixed rent review increases. In all other circumstances, rental income is brought to account on an accrual basis. Initial direct costs incurred in negotiating and arranging an operating lease have historically been immaterial amounts in comparison to the value and length of the lease agreement. Given the social impact structure of the Fund a number of leases are for shorter terms than a standard commercial fund. It is therefore appropriate for indirect costs for these leases to be expensed in the period they are incurred.

When the Fund provides lease incentives to tenants, the costs of the incentives are recognised over the lease term, on a straight-line basis, as a reduction in rental income.

Interest income is recognised as the interest accrues using the effective interest rate method.

Other income is recognised when the right to receive the revenue has been established.

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

#### (e) Expenses

All expenses, including Trustee fees and custodian fees, are recognised in profit or loss on an accrual basis.

#### (f) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flow presentation purposes, cash and cash equivalents also include bank overdrafts, which are shown within borrowings in current liabilities on the Statement of Financial Position.

## Notes to the Financial Statements

### 3. Significant Accounting Policies (continued)

#### (g) *Taxation*

Under the current tax legislation, the Fund is not subject to income tax provided that the unitholders are presently entitled to the income of the Fund and that the Fund entirely distributes its taxable income.

There is no income of the Fund to which the unitholders are not currently entitled. Additionally, the Fund's constitution requires the distribution of the full amount of the net income of the Fund to unitholders each year. As a result, deferred taxes have not been recognised in the financial statements in relation to the differences between carrying amounts of assets and liabilities and their respective tax bases. This includes taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. In the event that the taxable gains are realised by the Fund, these gains would be included in the taxable income and assessable in the hands of the unitholders.

#### (h) *Distributions*

The Fund distributes its distributable income to unitholders who are presently entitled to the income, calculated in accordance with the Fund's constitution and applicable tax legislation.

#### (i) *Payables*

Trade and other payables are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services.

#### (j) *Receivables*

Trade receivables that have less than 90 day terms are recognised and carried at original cost less an allowance (provision for impairment of trade receivables) for any uncollectible amounts.

An assessment of the recoverability of trade and other receivables is performed by the Manager on an ongoing basis. The Manager considers various factors to determine the recoverability of receivables including the existence of bank guarantees, deposits held, recent payment patterns and correspondence with tenants.

The movements in allowance accounts are recognised in the Statement of Profit or Loss and Other Comprehensive Income, either as gain or loss. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account.

#### (k) *Interest Bearing Borrowings*

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received.

Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing expenses including interest, issue and other transaction costs are expensed in the Statement of Profit or Loss and Other Comprehensive Income as incurred unless they relate to qualifying assets or new facility applications. Costs incurred in establishing a new facility are capitalised and amortised on a straight-line basis over the term of the loan or the period in which facility is expected to be retained, whichever is more applicable.

Borrowing costs directly attributed to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

## Notes to the Financial Statements

### 3. Significant Accounting Policies (continued)

#### (l) Applications and redemptions

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.

#### (m) Formation and capital raising

The Fund cost incurred in relation to the formation and Fund's set up and raising capital financing has been capitalised and being amortised on straight line basis for the period of 60 months.

#### (n) 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 Fund. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

The reported fair value of investment property reflects market conditions at the reporting date. While this represents the best estimates as at the reporting date, actual sale prices achieved may be higher or lower than the most recent valuation. This is particularly relevant in years of market illiquidity or uncertainty.

#### (o) Property Plant and Equipment

##### *Recognition and measurement*

Items of property, plant and equipment are measured at fair value less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

##### *Depreciation*

Depreciation is recognised as an expense in profit or loss using diminishing value model and according to Australia Taxation Office rate. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Trust will obtain ownership by the end of the lease term. Freehold land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date.

### 3. Significant Accounting Policies (continued)

#### (o) *Property Plant and Equipment (continued)*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of profit or loss and other comprehensive income.

#### (p) *Goods and Services Tax*

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is recognised as a receivable or payable on the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST component of cash flows arising from financing activities which is recoverable from or payable to the taxation authority is classified as operating cash flow.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

GST is not payable in respect of the acquisition, disposal or withdrawal of units, nor in respect of any distributions paid by the Fund.

The ultimate GST treatment of the subsequent disposal of the property may differ from the treatment at acquisition and may depend upon the relevant circumstances at the time.

#### (q) *Critical Accounting Estimates and Judgments*

The directors of the Trustee evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Fund.

#### (r) *Key estimate - fair value of investment property*

The Fund carries its investment property at fair value with changes in the fair value recognised in the Statement of Profit or Loss in the period in which they arise. In accordance with the Information Memorandum of the Fund, the investment property will be independently revalued at least once every three years. It will also be revalued by an independent valuer in the intervening years if it is likely that there has been a material change in the value of the property.

At the end of each reporting period, the directors of the Manager update their assessment of the fair value of the property, considering the most recent independent valuations and any changes to the key presumptions that underpin that assessments. The key factors used in this determination are set out in notes 3(n) and 9. If there are any material changes in the key assumptions due to changes in economic conditions, the fair value of the investment property may differ and may need to be re-estimated.

**Ethical Property Commercial Fund**  
**Notes to the Financial Statements**

**4. Rental and Other Property Income**

	Year ended 30 June 2020	Year ended 30 June 2019
	\$	\$
Rent received	1,821,674	1,816,681
Outgoings received	300,419	202,431
Other property income	<u>54,018</u>	<u>318</u>
<b>Total for the year</b>	<b><u>2,176,111</u></b>	<b><u>2,019,430</u></b>

**5. Finance Costs**

	Year ended 30 June 2020	Year ended 30 June 2019
	\$	\$
Interest on borrowings	337,398	302,611
Facility fee	<u>154,037</u>	<u>91,925</u>
<b>Total for the year</b>	<b><u>491,435</u></b>	<b><u>394,536</u></b>

**6. Administration Expenses**

	Year ended 30 June 2020	Year ended 30 June 2019
	\$	\$
Accounting and tax fees	143,785	46,133
Asset management fees	224,483	60,000
Trustee fees	<u>65,607</u>	<u>60,295</u>
<b>Total for the year</b>	<b><u>433,875</u></b>	<b><u>166,428</u></b>

**Ethical Property Commercial Fund**  
**Notes to the Financial Statements**

**7. Rental Property Expenses**

	Year ended 30 June 2020	Year ended 30 June 2019
	\$	\$
Leasing fees	25,022	16,907
Energy costs	90,464	83,611
Cleaning	183,919	140,460
Land tax	90,564	19,768
Repairs and maintenance	82,311	99,509
Council rates	157,691	149,918
Water rates and charges	28,809	12,753
Fire and safety	30,566	17,897
Lift maintenance	15,990	13,274
Facilities management and personnel fees	96,786	105,562
Security fees	28,683	27,933
Other property expenses	298,853	228,375
<b>Total for the year</b>	<b>1,129,658</b>	<b>915,967</b>

**8. Remuneration of Auditor**

The auditors named below earned the following remuneration:

	Year ended 30 June 2020	Year ended 30 June 2019
	\$	\$
Audit fees – JTP Assurance	6,139	6,000
<b>Total for the year</b>	<b>6,139</b>	<b>6,000</b>

**9. Investment Property**

Donkey Wheel House	30 June 2020	30 June 2019
	\$	\$
Balance at beginning of year	22,700,000	20,250,000
Capital improvements	88,443	128,856
Capital improvements provision	-	(104,650)
Fair value (loss)/gain on investment property	(88,443)	2,425,794
	<b>22,700,000</b>	<b>22,700,000</b>

The Asset Manager adopted the value of \$22,700,000 (2019: \$22,700,000) as at 30 June 2020 provided by Charter Keck Cramer, an accredited and independent valuer. The valuation was made on 22 October 2018 and arrived using primary method of income capitalisation and secondary method of direct sales comparison. A yield of 4.25% has been used in this valuation.

**Ethical Property Commercial Fund**  
**Notes to the Financial Statements**

**9. Investment Property (continued)**

Endeavour House	30 June 2020	30 June 2019
	\$	\$
Balance at beginning of year	9,600,000	8,950,000
Capital improvements	353,157	24,487
Reclassification to fixed asset	-	(507,992)
Capital improvements provision	-	(34,500)
Fair value gain on investment property	<u>1,546,843</u>	<u>1,168,005</u>
	<b>11,500,000</b>	<b>9,600,000</b>

The investment property was revalued at \$11,500,000 as at 30 June 2020 by JLL, an accredited and independent valuer. The valuation was arrived using capitalisation of income and discounted cashflow approach. A discount rate of 8.25% and adopted lease term of five (5) years for both prime office and prime retail to arrive at valuation as at 30 June 2020 (30 June 2019: 8.25%).

Thistlethwaite Street	30 June 2020	30 June 2019
	\$	\$
Balance at beginning of year	5,200,000	5,956,790
Capitalised interest	-	289,758
Capital improvements	139,358	818,135
Capital improvement provision	-	(19,550)
Fair value loss on investment property	<u>(139,358)</u>	<u>(1,845,133)</u>
	<b>5,200,000</b>	<b>5,200,000</b>

The Asset Manager adopted the value of \$5,200,000 (2019: \$5,200,000) as at 30 June 2020 provided by Charter Keck Cramer, an accredited and independent valuer. The valuation was made on 29 October 2018 and arrived using primary method of income capitalisation and secondary method of direct sales comparison. A yield of 4.25% has been used in this valuation.

Balance end of year	<b>39,400,000</b>	<b>37,500,000</b>
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**Ethical Property Commercial Fund**  
**Notes to the Financial Statements**

**10. Fixed Assets**

	30 June 2020 \$	30 June 2019 \$
Balance at beginning of year	340,830	31,067
Computer Equipment	1,403	-
Computer equipment – accumulated depreciation	-	(518)
Reclassification from investment property	-	507,992
Plant and equipment and fixtures and fittings	24,834	1,365
Plant and equipment and fixtures and fittings – accumulated depreciation	(39,898)	(199,076)
<b>Balance end of year</b>	<b>327,169</b>	<b>340,830</b>

**11. Trade and Other Payables**

	30 June 2020 \$	30 June 2019 \$
Accounts payable	345,535	47,200
Accrued charges	190,056	26,128
GST and WHT payable	-	20,821
Income in advance	6,818	6,316
Other creditors	63,583	83,814
<b>Balance end of year</b>	<b>605,992</b>	<b>184,279</b>

**12. Net Assets Attributable to Unitholders**

**(a) Movements in Ordinary Units**

Movements in number of units and net assets attributable to unitholders during the year were as follows:

	30 June 2020		30 June 2019	
	No of Units	\$	No of Units	\$
Opening balance	19,100,100	22,742,264	19,100,100	21,454,663
Distribution paid to unitholders	-	(69,801)	-	(191,123)
Total comprehensive income	-	1,227,857	-	1,478,724
<b>Closing balance</b>	<b>19,100,100</b>	<b>23,900,320</b>	<b>19,100,100</b>	<b>22,742,264</b>

The Net Tangible Assets ("NTA") per Unit as at 30 June 2020 is \$1.2513 (2019: \$1.1907), \$1.2458 (2019: \$1.1839) adjusted for estimated carrying value of amortised assets.

The Fund aims to invest to meet its investment objectives while maintaining sufficient liquidity to meet its commitments. The Trustee regularly reviews the performance of the Manager, including the manager's performance in respect of asset allocation strategies, investment and operational management strategies, investment opportunities, performance review and risk management.

**Notes to the Financial Statements**

**12. Net Assets Attributable to Unitholders (continued)**

**(b) Capital Management**

The Fund monitors capital through the analysis of a number of financial ratios, including the gearing ratio. The gearing ratio indicates the extent to which the Fund's assets are funded by borrowings. It gives an indication of the potential risks the Fund faces in terms of its level of borrowings due to an increase in interest rates or a reduction in asset values.

**Gearing Ratio**

	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
Interest bearing liabilities	16,017,987	15,237,342
Total assets	40,538,259	38,355,008
<b>Gearing Ratio</b>	<b>39.51%</b>	<b>39.73%</b>

**13. Distributions Paid and Payable**

Each unit represents a right to an individual share in the Fund per the Amended Constitution dated 28 November 2019. During the year, there was only one class of units.

	<b>30 June 2020</b>	<b>30 June 2019</b>
	Cents per unit	\$
Distribution paid during the year	0.2924	55,841
Distributions payable	0.0731	13,960
<b>Closing balance</b>	<b>0.3655</b>	<b>69,801</b>
		<b>1.0006</b>
		<b>191,123</b>

**14. Related Party Transactions**

Transactions with related parties have taken place at arm's length and in the ordinary course of business.

**(a) Transactions with Trustee and its Associated Entities**

The trustee of the Fund is One Funds Management Limited (ACN 117 797 403; AFSL 330 337).

The key management personnel of the Trustee for the financial year ended 30 June 2020 are:

<b>Name</b>	<b>Title</b>
Frank Tearle	Executive Director and Company Secretary
Sarah Wiesener	Executive Director and Company Secretary
Michael Sutherland	Executive Director (appointed as Director on 1 October 2019)
Justin Epstein	Non-Executive Director (resigned on 30 June 2020)
Carolyn Tsung	Company Secretary

No units were held by the Trustee's key management personnel and its associated entities as at 30 June 2020 and 30 June 2019.

No fees or remuneration was paid directly to the key management personnel from the Fund during the financial year ended 30 June 2020 (2019: \$nil).

**Trustee fees**

Trustee fees of \$62,005 plus GST were incurred for the year ended 30 June 2020 (2019: \$60,295) of which \$5,150 plus GST (2019: \$5,000) was payable to One Fund Management Limited at the end of the year. Refer to note 6.

## Notes to the Financial Statements

### 14. Related Party Transactions (continued)

#### (a) Transactions with Trustee and its Associated Entities (continued)

##### *Registry fees*

Registry fees of \$3,397 plus GST were incurred for the year ended 30 June 2020 (2019: \$nil) of which \$900 plus GST (2019: \$nil) was payable to One Fund Management Limited at the end of the year. Refer to note 6.

##### *Custody fees*

No custody fees were incurred for the year ended 30 June 2020.

##### *Accounting and administration fees*

Accounting and administration fees of \$41,860 plus GST were incurred for the year ended 30 June 2020 (2019: \$27,498) of which \$nil (2019: \$5,500) was payable to Unity Fund Services Pty Limited, at the end of the year. Refer to note 6.

There were no other fees paid / payable to the Trustee for the financial year ended 30 June 2020.

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

#### (b) Transactions with Manager and its Associated Entities

Ethical Property Australia Pty Ltd, the Manager, provided investment management services, facilities management, acquisition and development to the Fund for the year ended 30 June 2020.

The key management personnel of the Manager for the financial year ended 30 June 2020 are:

Name	Title
Adam Trevaskus	Chief Executive Officer
Peter Allen	Chief Development Officer

No units were held by the Manager's key management personnel or its associated entities as at 30 June 2020 or at 30 June 2019 and interest held is as follows:

No fees or remuneration was paid directly to the key management personnel from the Fund during the financial year ended 30 June 2020 (2019: \$nil).

The Manager charges various fees depending on the service it is providing to the Fund, these totalled \$295,658 plus personnel reimbursements of \$83,181. These are as detailed below:

##### *Asset management fees*

Asset management fees of \$224,483 plus GST were incurred for the financial year ended 30 June 2020 (2019: \$60,000), of which \$nil (2019: \$nil) was payable to the Manager at the end of the year. Refer to note 6.

##### *Facilities management fees*

Facilities management fees of \$17,804 plus GST were incurred for the financial year ended 30 June 2020 (2019: \$25,059), of which \$nil plus GST (2019: \$4,451) was payable to the Manager at the end of the year.

Development fees of \$53,371 plus GST were incurred for the financial year ended 30 June 2020 (2019: \$28,354), of which \$53,371 plus GST (2019: \$28,354) was payable to the Manager at the end of the year.

**14. Related Party Transactions (continued)****(b) Transactions with Manager and its Associated Entities (continued)***Reimbursement charges - personnel*

Reimbursements for personnel employed by the Manager to work directly in the investment properties totalled \$83,181 plus GST were incurred for the financial year ended 30 June 2020 (2019: \$83,456), of which \$nil plus GST (2019: \$6,955) was payable to the Manager at the end of the year.

There were no other facilities management, development and acquisition fees payable to the Manager for the financial year ended 30 June 2020.

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving key management personnel's interests existing at the end of the reporting period.

**15. Financial Risk Management and Fair Value Measurement**

The most important types of financial risk to which the Fund is exposed to are market risk, credit risk and liquidity risk. The exposure to each of these risks, as well as the Fund's policies and processes for managing these risks are described below.

**(a) Market Risk**

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

*Cash flow and fair value interest rate risk*

The Fund's cash, cash equivalents and floating rate borrowings expose it to a risk of change in the fair value or future cash flows due to changes in interest rates.

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

	30 June 2020 \$	30 June 2019 \$
<b>Financial assets</b>		
Cash and cash equivalents – floating interest rate	410,593	112,365
<b>Financial liabilities</b>		
Interest bearing liabilities – floating interest rate	<u>16,017,987</u>	<u>15,237,342</u>
<b>Net exposure to interest rate risk</b>	<b><u>16,428,580</u></b>	<b><u>15,349,707</u></b>

**(b) Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

The Fund's maximum credit risk exposure at balance date in relation to each class of recognised financial asset is the carrying amount of those assets in the balance sheet. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at reporting date.

## Notes to the Financial Statements

## 15. Financial Risk Management and Fair Value Measurement (continued)

## (b) Credit Risk (continued)

	30 June 2020	30 June 2019
	\$	\$
Trade and other receivables	101,950	123,215
Cash at bank	<u>410,593</u>	<u>112,365</u>
<b>Maximum exposure to credit risk</b>	<b><u>512,543</u></b>	<b><u>235,580</u></b>

The Fund manages credit risk and the losses which could arise from default by ensuring that parties to contractual arrangements are of appropriate credit rating, and do not show a history of defaults. Financial assets such as cash at bank are held with high credit quality financial institutions (rated equivalent A or higher by the major rating agencies). Prospective tenants are assessed for creditworthiness before commencing a lease, and bank guarantees or rental bonds are always sought before a tenancy is approved. Loans from third parties are secured against investment property and corporate and personal guarantees. The Trustee also performs a detailed review of both related and other parties before approving advancement of funds. This is performed to ensure that they will be able to meet interest and principal repayments.

All receivables are monitored by the Trustee. If any amounts owing are overdue these are followed up and if necessary, allowances are made for debts that are doubtful.

At the end of the reporting period, there are no issues with the credit quality of financial assets and all amounts are expected to be received in full.

## (c) Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund monitors its exposure to liquidity risk by ensuring that as required there is sufficient cash on hand to meet the contractual obligations of financial liabilities as they fall due. The Manager sets budgets to monitor cash flows.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting year. The amounts in the table are the contractual undiscounted cash flows.

30 June 2020	Less than 12 months	1-2 years	2-5 years
	\$	\$	\$
Trade and other payables	345,535	-	-
Interest bearing liabilities	<u>16,017,987</u>	<u>-</u>	<u>-</u>
<b>Contractual cash flows</b>	<b><u>16,363,522</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

30 June 2019	Less than 12 months	1-2 years	2-5 years
	\$	\$	\$
Trade and other payables	47,200	-	-
Interest bearing liabilities	<u>15,237,342</u>	<u>-</u>	<u>-</u>
<b>Contractual cash flows</b>	<b><u>15,284,542</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

**15. Financial Risk Management and Fair Value Measurement (continued)****(d) Fair Value Estimation**

The financial instruments carried at fair value can be valued using different levels of valuation methods. The different levels have been defined as follows:

- Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

- Level 2

Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices). Valuation techniques are used to determine the value. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. All significant inputs required to fair value an instrument have to be observable.

- Level 3

Inputs for asset or liability that are not based on observable market data (unobservable inputs).

The Fund does not have financial instruments that qualify for Level 1 and Level 2 category.

Investment properties are measured as Level 3 financial instruments.

**16. Cash and Cash Equivalents**

(a) Cash and cash equivalents include cash on hand and cash at bank. Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	30 June 2020	30 June 2019
	\$	\$
Cash at bank	<u>410,593</u>	<u>112,365</u>
<b>Balance end of year</b>	<b><u>410,593</u></b>	<b><u>112,365</u></b>

**Ethical Property Commercial Fund**  
**Notes to the Financial Statements**

**16. Cash and Cash Equivalents (continued)**

(b) Reconciliation of total comprehensive income for the year to net cash flows provided by operating activities:

	30 June 2020 \$	30 June 2019 \$
<b>Total comprehensive profit</b>	<b>1,227,857</b>	<b>1,478,724</b>
Adjustments for:		
Depreciation	39,898	358,294
Amortisation	61,510	63,861
Unrealised fair value gain on investment property	(1,319,043)	(1,748,666)
<b>Changes in assets and liabilities:</b>		
Net changes in other current assets	(44,239)	304,383
Net changes in trade and other payables	405,760	(224,423)
<b>Net cash provided by operating activities</b>	<b>371,743</b>	<b>232,173</b>

All amounts are presented in Australian dollars.

**17. Interest Bearing Liabilities**

	30 June 2020 \$	30 June 2019 \$
<b>Current liabilities</b>		
Secured loan facility	16,017,987	15,237,342
	<b>16,017,987</b>	<b>15,237,342</b>

The loan facility will terminate on 31 December 2020.

The current interest rate for the loan as at 30 June 2020 is 1.40% plus 0.95% facility fee.

**Assets pledged as security**

The loan facility is secured by a registered first mortgage over the investment properties and non-recourse to investors.

The NAB loan facility was due to expire on the 31st December 2020. However, NAB have made an offer to renew the facility and increase the amount of available draw down by an additional \$3,400,000. All associated and relevant documents have been signed and supplied to NAB by trustee directors.

All borrowings of the Fund will be on a limited recourse basis. A lender's recourse will be limited to the Fund and its assets and will not have recourse to Investors and their personal assets.

**Loan facility covenants**

The financial covenants required on the secured loan facility with NAB are an interest cover ratio ("ICR") of at least 2.0 times net property income and a loan to market value of investment properties ratio ("LVR") of less than or equal to 45%. The Fund was in compliance with its covenants throughout the financial year ended 30 June 2019 with an ICR 3 times and LVR of 41% as at 30 June 2020.

## Notes to the Financial Statements

### 18. Subsequent Events

The coronavirus COVID-19 remains to be prevalent throughout the world, including Australia. Since balance date, this has caused unprecedented disruption to populations, and to business and economic activity. As this situation is rapidly developing, the directors of the Fund are in close contact with service providers in assessing the ongoing operations, liquidity, and lending arrangements and the basis of the values and estimates reported.

The Fund's bank loan facility of \$16,017,987 expire on 31 December 2020. The bank loan has been extended for 3 years and new expiry will be on 31 December 2023.

In addition to the above, on 30 August 2020, the Fund entered into 20 year head lease with Moreland City Council for the property located at 420 Victoria Street, Brunswick . The lease will be classified as operating lease. The purpose of the arrangement was to support the Council's primary goal of creating employment opportunities through economic development activity and to contribute to the creation of a new Brunswick Design District.

There has been no other matter or circumstance occurring subsequent to the year ended 30 June 2020 that has significantly affected, or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

### 19. Commitments and Contingencies

There were no other contingent assets and liabilities or commitments as at 30 June 2020.

## Directors' Declaration

The directors of One Fund Management Limited (ACN 117 797 403; AFSL 300 337) ("Trustee") have determined that Ethical Property Commercial Fund (the "Fund") is not a reporting entity. The directors have determined that this general purpose financial report should be prepared in accordance with those accounting standards and the basis of accounting outlined in Note 3 to the financial statements.

The directors of the Trustee declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the financial statements and notes thereto are in compliance with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in note 3 to the financial statements and present fairly the financial position and performance of the Fund.

On behalf of the directors of One Funds Management Limited.



Frank Tearle

Director

23 December 2020

**ETHICAL PROPERTY COMMERCIAL FUND**  
**ABN 82 940 891 053****INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**ETHICAL PROPERTY COMMERCIAL FUND****Report on the audit of the financial report****Opinion**

We have audited the accompanying financial report, being a general purpose financial report of Ethical Property Commercial Fund (the fund), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion the financial report of Ethical Property Commercial Fund is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2020 and of its performance for the period ended on that date; 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 company 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* (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 audit opinion.

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 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 for the Financial Report**

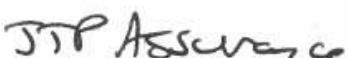
The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of 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, directors are responsible for assessing the company's ability 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 company or to cease operations, or has 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 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

Further description of our responsibilities for the audit of the financial report is located at The Auditing and Assurance Standards Board Website at <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.



JTP ASSURANCE  
Chartered Accountants



SAM CLARINGBOLD  
Partner

Signed at Melbourne this 4<sup>th</sup> day of January 2021