**THE PROPERTY INCOME PLUS FUND**
**ARSN 089 508 350**
**ANNUAL FINANCIAL REPORT**
**FOR THE FINANCIAL YEAR ENDED**
**30 JUNE 2021**

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# THE PROPERTY INCOME PLUS FUND
# DIRECTORS' REPORT
# FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

The Directors of IOOF Investment Services Limited, the Responsible Entity of The Property Income Plus Fund, present this report together with the financial statements of The Property Income Plus Fund ('the Scheme'), for the year ended 30 June 2021 and the auditor's report thereon.

**Principal activities**

The Scheme is a registered managed investment scheme domiciled in Australia.

The investment objective is as disclosed in the current Product Disclosure Statement and in accordance with the provisions of the Scheme's Constitution.

The Scheme did not have any employees during the year (2020:Nil).

**Responsible Entity**

The following persons held office as Directors of IOOF Investment Services Limited during the year and up to the date of this report:

Ms D.G Allen (Chairman)
Ms M.A Nunan
Mr J. Selak

**Review of operations**

During the year, the Scheme continued to invest in accordance with target asset allocations as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

**Results**

The performance of the Scheme, as represented by the results of its operations, was as follows:

| | Year ended | |
|---|---|---|
| | **30 June 2021** | **30 June 2020** |
| | **$** | **$** |
| Total Comprehensive Income | 3,475,566 | (3,623,826) |

**Distributions**

| | Year ended | |
|---|---|---|
| Distributions paid and payable | **30 June 2021** | **30 June 2020** |
| | **$** | **$** |
| 30 September | 8,732 | 100,907 |
| 31 December | - | - |
| 31 March | 168,677 | 162,855 |
| 30 June final payable | 200,674 | 47,381 |
| | 378,083 | 311,143 |

| | **30 June 2021** | **30 June 2020** |
|---|---|---|
| Distributions | **CPU** | **CPU** |
| 30 September | 0.06 | 0.48 |
| 31 December | - | - |
| 31 March | 1.27 | 0.96 |
| 30 June final payable | 1.66 | 0.29 |
| | 2.99 | 1.73 |

**Performance**

The table below demonstrates the performance of the Scheme as represented by the total return per annum, which is calculated as the aggregation of the percentage capital growth and percentage distribution of income. The total return per annum calculated after fees is shown for the past two years to 30 June and assumes that all distributions were re-invested during that period. The comparison to benchmark performance for the two years to 30 June is also shown below:

| | 2021 % | 2020 % |
|---|---|---|
| Capital growth | 29.42 | (24.87) |
| Distribution | 4.27 | 1.86 |
| **Total return** | **33.69** | **(23.01)** |
| **Benchmark - S&P/ASX 300 A-REIT Accumulation Index** | **33.91** | **(20.71)** |

Consistent with our statements in the current Product Disclosure Statement, future performance is not guaranteed. Investors should exercise care in using past performance as a predictor of future performance.

**Indirect Cost Ratio**

The costs are calculated on the net asset value of the Scheme and are deducted from the assets of the Scheme. The costs are accrued daily and paid monthly and are incorporated into the daily unit prices of the Scheme. The indirect cost ratio calculation includes investment management fees charged to the Scheme during the financial year, including those charged by the Responsible Entity directly for the management of the assets.

The indirect cost ratio of the Scheme is shown in the following table:

| | 2021 % | 2020 % |
|---|---|---|
| Indirect Cost Ratio | 0.92 | 0.91 |

**Significant changes in the state of affairs**

Coronavirus (COVID-19) pandemic impacts:

The existence of COVID-19 has resulted in significant volatility in global and domestic financial markets. As at the reporting date, there is still significant uncertainty on the likely duration and the ultimate impact COVID-19 will have on world economies.

IOOF Investment Services Limited continues to operate the Scheme in accordance with the provisions of each Scheme's Constitution and no other matter or circumstances has arisen during the period that has significantly affected, or may significantly affect:

(i) the operations of the Scheme;
(ii) the results of those operations; or
(iii) the state of affairs of the Scheme.

Other than the above, there were no significant changes in the state of affairs of the Scheme.

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

No significant event has occurred since the end of the reporting period which would impact on the financial position of the Scheme disclosed in the Statement of Financial Position as at 30 June 2021 or on the results and cash flows of the Schemes for the year ended on that date.

**Likely developments and expected results of operations**

The Scheme will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

The results of the Scheme's operations will be affected by a number of factors, including the performance of markets in which the Scheme invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operations of the Scheme and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Scheme.

**Indemnification and insurance of officers and auditor**

There is a Directors' and Officers' insurance policy which indemnifies the Directors and Officers of IOOF Investment Services Limited against liabilities to persons outside IOOF Investment Services Limited that arise out of the performance of their normal duties. The premiums have not been paid for out of the assets of the Scheme. The auditor of the Scheme is in no way indemnified out of the assets of the Scheme.

**Fees paid to and interests held in the Scheme by the Responsible Entity or its Related Parties**

Details of fees paid to the Responsible Entity during the financial year are disclosed in Note 3 Related party transactions of the financial statements.

No fees were paid out of the Scheme's property to the Directors of the Responsible Entity during the year.

The interests in the Scheme held by the Responsible Entity or its related parties during the financial year are disclosed in Note 3 Related party tranactions of the financial statements.

**Interests in the Scheme**

The basis for valuation of the Scheme's assets is disclosed in Note 2 Summary of significant accounting policies of the financial statements.

Details of movements in net assets attributable to unitholders and total units on issue are disclosed in Note 7 Net assets attributable to unitholders of the financial statements.

**Environmental regulation**

The operations of the Scheme are not subject to any significant environmental regulation under a Commonwealth, State or Territory law.

**Lead auditor's independence declaration**

The lead auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on Page 6 and forms part of the Directors' Report for the year ended 30 June 2021.

Signed in accordance with a resolution of the Directors of IOOF Investment Services Limited.

On behalf of the Directors,

Ms D.G Allen
Director

Melbourne, 27 September 2021

# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

## To the Directors of IOOF Investment Services Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of The Property Income Plus Fund for the financial year ended 30 June 2021 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

David Kells

Partner

Sydney

27 September 2021

# Independent Auditor's Report

## To the unitholders of The Property Income Plus Fund

### Opinion

We have audited the ***Financial Report*** of The Property Income Plus Fund (the Scheme).

In our opinion, the accompanying ***Financial Report*** of the Scheme is in accordance with the *Corporations Act 2001*, including

- giving a true and fair view of the Scheme's financial position as at 30 June 2021, and of its financial performance and its cash flows for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises the:

- Statement of financial position as at 30 June 2021;
- Statement of comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Scheme in accordance with the *Corporations Act 2001* and the relevant ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code). We have fulfilled our other ethical responsibilities in accordance with the Code.

### Other Information

Other Information is financial and non-financial information in the Scheme's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of IOOF Investment Services Limited (the Responsible Entity) are responsible for the Other Information.

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.

In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors of IOOF Investment Services Limited (the Responsible Entity) are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Scheme's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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. They 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.

A 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/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

David Kells

Partner

Sydney

27 September 2021

## THE PROPERTY INCOME PLUS FUND
## DIRECTORS' DECLARATION
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

The Directors of IOOF Investment Services Limited, the Responsible Entity of The Property Income Plus Fund ('the Scheme') declare that:

(a) the financial statements and notes set out on pages 10 to 30 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

  (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2021 and of its performance for the year ended on that date;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a) Basis of preparation; and

(c) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors of IOOF Investment Services Limited.

On behalf of the Directors,

Ms D.G Allen
Director

Melbourne, 27 September 2021

## THE PROPERTY INCOME PLUS FUND
## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

| | Note | Year ended 30 June 2021 $ | Year ended 30 June 2020 $ |
|---|---|---|---|
| **Investment Income** | | | |
| Trust distributions and dividend income | | 460,097 | 781,409 |
| Interest income from financial assets at amortised cost | | 274 | 2,684 |
| Net gains/(losses) on financial instruments held at fair value through profit or loss | | 3,129,497 | (4,201,624) |
| Other income | | - | 642 |
| **Total investment income/(loss)** | | 3,589,868 | (3,416,889) |
| **Expenses** | | | |
| Responsible Entity fees | 3 | 100,189 | 148,044 |
| Investment Management fees | | 9,656 | 13,944 |
| Scheme expenses | | 4,457 | 6,596 |
| Withholding tax | | - | 38,353 |
| **Total operating expenses** | | 114,302 | 206,937 |
| **Operating profit/(loss)** | | 3,475,566 | (3,623,826) |
| **Profit/(loss) for the year** | | 3,475,566 | (3,623,826) |
| **Other Comprehensive Income** | | - | - |
| **Total Comprehensive Income for the year** | | 3,475,566 | (3,623,826) |

*The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

## THE PROPERTY INCOME PLUS FUND
## STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2021

| | Note | 30 June 2021 $ | 30 June 2020 $ |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | 93,272 | 247,452 |
| Margin account | | 3,783 | 138,084 |
| Receivables | | 642,321 | 157,911 |
| Financial assets held at fair value through profit or loss | 4 | 11,215,205 | 11,502,845 |
| **Total assets** | | 11,954,581 | 12,046,292 |
| **Liabilities** | | | |
| Financial liabilities held at fair value through profit or loss | 5 | 543 | 2,925 |
| Distributions payable | 6 | 200,675 | 47,381 |
| Other payables | | 304,218 | 35,833 |
| **Total liabilities** | | 505,436 | 86,139 |
| **Net assets attributable to unitholders - equity** | 7 | 11,449,145 | 11,960,153 |

*The above Statement of Financial Position should be read in conjunction with the accompanying notes.*

## THE PROPERTY INCOME PLUS FUND
## STATEMENT OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

| | Notes | Year ended 30 June 2021 $ | Year ended 30 June 2020 $ |
|---|---|---|---|
| **Total equity at the beginning of the year** | | 11,960,153 | 22,290,954 |
| **Comprehensive income for the year** | | | |
| Profit/(loss) for the year | | 3,475,566 | (3,623,826) |
| **Total comprehensive income for the year** | | 3,475,566 | (3,623,826) |
| **Transactions with unitholders** | | | |
| Applications | 7 | 379,493 | 227,825 |
| Redemptions | 7 | (3,987,984) | (6,623,657) |
| Reinvested distributions | 7 | - | - |
| Distributions paid and payable | 7 | (378,083) | (311,143) |
| **Total transaction with unitholders** | | (3,986,574) | (6,706,975) |
| **Total equity at the end of the year** | | 11,449,145 | 11,960,153 |

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

## THE PROPERTY INCOME PLUS FUND
## STATEMENT OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

| | Note | Year ended 30 June 2021 $ Inflows / (Outflows) | Year ended 30 June 2020 $ Inflows / (Outflows) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Proceeds from the sale of financial instruments held at fair value through profit or loss | | 5,240,672 | 9,388,965 |
| Payments for the purchase of financial instruments held at fair value through profit or loss | | (1,774,719) | (3,098,595) |
| Trust distributions and dividends received | | 400,043 | 921,812 |
| Interest received | | 274 | 2,731 |
| Other income received | | - | 642 |
| Operating expenses paid | | (354,388) | (213,420) |
| Net movement in margin accounts | | 134,301 | (89,558) |
| **Net cash inflow/(outflow) from operating activities** | 11(a) | 3,646,183 | 6,912,577 |
| **Cash flows from financing activities** | | | |
| Proceeds from application of units | | 101 | 37,101 |
| Payments for redemption of units | | (3,575,673) | (6,594,224) |
| Distributions paid | | (224,791) | (571,728) |
| **Net cash inflow/(outflow) from financing activities** | | (3,800,363) | (7,128,851) |
| **Net increase/(decrease) in cash and cash equivalents** | | (154,180) | (216,274) |
| **Cash and cash equivalents at the beginning of the financial year** | | 247,452 | 463,726 |
| **Cash and cash equivalents at the end of the financial year** | | 93,272 | 247,452 |

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes.*

## NOTE 1: GENERAL INFORMATION

This financial report covers The Property Income Plus Fund ('the Scheme') as an individual entity. The Scheme is a registered managed investment scheme under the *Corporations Act 2001.* The Scheme commenced operations on 30 September 1999. The Scheme will terminate on 30 September 2079 unless terminated earlier in accordance with the provisions of the Scheme's Constitution.

The Responsible Entity of the Scheme is IOOF Investment Services Limited. The Responsible Entity's registered office is Level 6, 161 Collins Street, Melbourne, Victoria, 3000. The Responsible Entity's ABN number is 80 007 350 405.

On 29 November 2019, IOOF Investment Management Limited ("the former Responsible Entity") (ABN 53 006 695 021) was replaced by IOOF Investment Services Limited ("the Responsible Entity") (ABN 80 007 350 405) as the Responsible Entity for the Scheme.

The financial statements were authorised for issue by the Directors on 27 September 2021. The Directors of the Responsible Entity have the power to amend and reissue the financial report as considered necessary under the Scheme's Constitution.

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this financial report are set out below. These policies have been consistently applied for all years presented, unless otherwise stated in the following text:

### (a) Basis of preparation

The financial report is a general purpose financial report for the year ended 30 June 2021 which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001.* The financial report of the Scheme complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

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

### (b) Financial instruments

*(i) Recognition,derecognition and initial measurement*

The Scheme initially recognises financial assets and financial liabilities at fair value through profit or loss on the trade date, which is the date on which the Scheme becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(b) Financial instruments (Continued)**

*(ii) Classification and subsequent measurement*

On initial recognition, the Scheme classifies financial assets as measured at amortised cost or fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

All other financial assets of the Scheme are measured at fair value through profit or loss.

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Scheme considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Scheme's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Scheme has determined that it has two business models.

- Held to collect business model: this includes cash and cash equivalents, term deposits, balances due from brokers and receivables from reverse sale and repurchase agreements. These financial assets are held to collect contractual cash flow.
- Other business model: this includes debt securities, equity investments, investments in unlisted open-ended investment schemes, unlisted private equities and derivatives. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

Financial assets are not reclassified subsequent to their initial recognition unless the Scheme were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(b) Financial instruments (Continued)**

**Subsequent measurement of financial assets**

*Financial assets at fair value through profit or loss*

These assets are subsequently measured at fair value. Net gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are recognised as 'net gains/(losses) on financial instruments held at fair value through profit or loss' in the Statement of Comprehensive Income.

Debt securities, equity investments, investments in unlisted open ended investment schemes, unlisted private equities and derivative financial instruments are included in this category.

*Financial assets at amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. Interest income is recognised in 'interest income from financial assets at amortised cost', foreign exchange gains and losses are recognised in 'net foreign exchange loss' and impairment is recognised in 'impairment losses on financial instruments' in the Statement of Comprehensive Income. Any gain or loss on derecognition is also recognised in profit or loss.

Cash and cash equivalents, balances due from brokers, term deposit and receivables from reverse sale and repurchase agreements are included in this category.

*Financial liabilities – Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or fair value through profit and loss.

A financial liability is classified as at fair value through profit and loss if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit and loss are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial liabilities at fair value through profit and loss:

- Held for trading: securities sold short and derivative financial instruments.

Financial liabilities at amortised cost:

- This includes balances due to brokers, payables under sale and repurchase agreements and redeemable shares.

*(iii) Fair value measurement*

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Scheme has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Scheme measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Scheme measures instruments quoted in an active market at a bid price, because this price provides a reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Scheme uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Scheme recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

The following represent the basis for valuation of financial assets and liabilities designated at fair value through profit or loss for financial reporting purposes:

**Listed Equities**
Shares that are listed or traded on an exchange are fair valued using quoted 'bid' prices from that exchange, as at the close of business on the day the shares are being valued.

**Listed Property Trusts**
Units that are listed or traded on an exchange are fair valued using quoted 'bid' prices from that exchange, as at close of business on the day the trusts are being valued.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(b) Financial instruments (Continued)**

**Derivative financial instruments**
Derivative financial instruments are classified as held at fair value through profit and loss, or held for trading in accordance with AASB 9 *Financial Instruments*, as the Scheme does not designate any derivatives as hedges in a hedging relationship. Derivatives are recognised at cost on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values for financial assets and liabilities are obtained from quoted market 'bid' prices in active markets. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The Scheme may hold the following derivatives:

**Futures**
Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. Futures over listed equities and indices are accounted for on the same basis as the underlying investment exposure. Gains or losses are recorded in the relevant period as a change in the fair value of investments in the Statement of Comprehensive Income.

**(c) Foreign currency translation**

(i) *Functional and presentation currency*

Items included in the Scheme's financial statements are measured using the currency of the primary economic environment in which it operates (the 'functional currency'). This is the Australian dollar, which reflects the currency of the economy in which the Scheme competes for funds and is regulated. The Australian dollar is also the Scheme's presentation currency.

**(d) Net assets attributable to unitholders**

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders.

The units can be put back to the Scheme at any time for cash based on the redemption price, which is equal to a proportionate share of the Scheme's net asset value attributable to the unitholders.

The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the units back to the Scheme. This amount represents the expected cash flows on redemption of these units.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial Instrument*s: *Presentai*on:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Scheme's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Scheme, and it is not a contract settled in the Scheme's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

**(e) Cash and cash equivalents**

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to a known amount of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than investment or other purposes. Bank overdrafts are shown in current liabilities on the Statement of Financial Position, but are included within cash and cash equivalents for cash flow purposes.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Investment income and expenses**

Interest income and expense from financial assets at amortised cost is calculated on an effective interest basis and includes interest from cash and cash equivalents and interest from term deposits. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit - impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit - impaired, then the calculation of interest income reverts to the gross basis.

Interest income from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities.

Dividend income relating to exchange-traded equity instruments is recognised in the Statement of Comprehensive Income on the ex-dividend date with any related foreign withholding tax recorded as an expense. Dividends declared on securities sold short is accrued on the ex-dividend date and are recognised as a dividend in the Statement of Comprehensive Income. Income distributions from private equity investments and other managed investment schemes are recognised in the Statement of Comprehensive Income as trust distribution income when declared.

In some cases, the Scheme may receive or choose to receive dividends or distributions in the form of additional shares/units rather than cash. In such cases, the Scheme recognises the dividend or distribution income for the amount of the cash/dividend alternative with the corresponding debit treated as additional investments.

All expenses, including Responsible Entity fees and investment management fees, are recognised in the Statement of Comprehensive Income on an accrual basis.

**(g) Distributions**

Distributions are payable as set out in the Scheme's Product Disclosure Statement. Distributions are determined by the Responsible Entity in accordance with the Scheme's Constitution and applicable tax legislation. Distributable income includes realised capital gains on the disposal of financial instruments held at fair value through profit and loss and those held for trading. Unrealised gains and losses on these instruments recognised in net income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained in the Scheme to be offset against future realised capital gains. If capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefits of imputation credits and foreign taxes paid are passed on to unitholders.

The Scheme currently incurs withholding tax imposed by certain countries on investment income. Income that is subject to such tax is recognised gross of the taxes and the corresponding withholding tax is recognised as tax expense.

**(h) Receivables**

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in Note 2(f) Investment income and expense. Amounts are generally received within 30 days of being recorded as receivables.

Amounts due from brokers which represent receivables that have been contracted for but not yet delivered by the end of the year are included in receivables. Trades are recorded on trade date and normally settled within two business days. Amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Scheme shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses subject to a significant increase in credit risk since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the loss allowance is measured on a 12-month expected credit loss basis. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that a loss allowance should be recognised. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(i) Payables**

Payables includes liabilities and accrued expenses owing by the Scheme which are unpaid as at the reporting date. Amounts due to brokers which represents payables for securities purchased that are unsettled at reporting date are included in payables.

The distribution amount payable to unitholders as at the reporting date is recognised separately on the Statement of Financial Position as unitholders are presently entitled to the distributable income as at 30 June 2021 under the Scheme's Constitution.

**(j) Applications and redemptions**

Applications received for units in the Scheme are recorded net of any entry fees payable prior to the issue of units in the Scheme.

All redeemable units issued by the Scheme provide the investors with the right to require redemption for cash and give rise to a financial liability. In accordance with the Product Disclosure Statement, the Scheme is contractually obliged to redeem units at redemption price, which includes an allowance for transaction costs that would be incurred by the Scheme on disposal of its assets required to fund the redemptions. As a result of the transaction cost factor, there will be a difference between the carrying amount of the net assets of the Scheme (excluding the unitholders' funds classified as a financial liability) and the contractual amount payable to unitholders, which is based on the redemption price.

**(k) Unit prices**

The unit price is based on unit price accounting outlined in the Scheme's Constitution and Product Disclosure Statement.

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

Management fees, custodial fees and other expenses are recognised net of the amount of GST recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC). Payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included in receivables in the Statement of Financial Position. Cash flows relating to GST are included in the Statement of Cash Flows on a gross basis.

**(m) Use of estimates**

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and, revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

For the majority of the Scheme's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example, over-the-counter derivatives or unquoted securities are fair valued using other valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

Where investments are held at Level 3, models use observable market data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers and accounts payable, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

Note 8 Financial Instruments contains information about the estimation of fair values of financial instruments.

**(n) Margin accounts**

Margin accounts comprise cash held as collateral for derivative transactions. The cash is held by the broker and is only available to meet margin calls.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(o) Offsetting**

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Scheme has a legal right to offset the amounts and it intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under AASBs, e.g. for gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at fair value through profit and loss.

**(p) Changes in accounting policies**

There were no changes in the accounting policies of the Scheme during the year.

**(q) New and amended accounting standards adopted by the Scheme**

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year commencing on 1 July 2020 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

**(r) New standards and interpretations not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2021 reporting period and have not been early adopted by the Scheme. None of these are expected to have a material impact on the financial statements of the Scheme.

**NOTE 3: RELATED PARTY DISCLOSURES**

**Responsible Entity**

The Responsible Entity of The Property Income Plus Fund is IOOF Investment Services Limited.

On 29 November 2019, IOOF Investment Management Limited ("the former Responsible Entity") (ABN 53 006 695 021) was replaced by IOOF Investment Services Limited ("the Responsible Entity") (ABN 80 007 350 405) as the Responsible Entity for the Scheme.

The immediate parent entity and the ultimate controlling entity of IOOF Investment Services Limited is IOOF Holdings Ltd.

**Key management personnel**

Key management personnel include persons who are Directors of IOOF Investment Services Limited during the reporting period up to the date of this report:

Ms D.G Allen (Chairman)
Ms M.A Nunan
Mr J. Selak

**Responsible Entity fees and other transactions**

| | 30 June 2021<br>$ | 30 June 2020<br>$ |
|---|---|---|
| Responsible Entity fees IOOF Investment Management Limited | - | 75,676 |
| Responsible Entity fees IOOF Investment Services Limited | 100,189 | 72,368 |
| **Total Responsible Entity Fees** | 100,189 | 148,044 |
| Responsible Entity fees payable | 8,813 | 11,271 |

Under the terms of the Scheme's Constitution, the Responsible Entity is entitled to receive a maximum management fees of 1.50% of average daily net asset value per annum. The management fee charged by the Responsible Entity for the year was 0.84% per annum (2020: 0.83%).

All related party transactions are conducted on normal commercial terms and conditions.

**NOTE 3: RELATED PARTY DISCLOSURES (Continued)**

**Related party Scheme's unitholdings**

IOOF Investment Services Limited, its related parties and other schemes managed by IOOF Investment Services Limited, held units in the Scheme as follows:

| 30 June 2021 Unitholder | Number of units held opening No. | Number of units held closing No. | Interest held % | Number of units acquired No. | Number of units disposed No. | Distributions paid/payable by the Scheme $ |
|---|---|---|---|---|---|---|
| IOOF Portfolio Service Superannuation Fund * | 14,160,779 | 10,314,713 | 85.49 | 134,895 | 3,980,961 | 329,708 |

| 30 June 2020 Unitholder | Number of units held opening No. | Number of units held closing No. | Interest held % | Number of units acquired No. | Number of units disposed No. | Distributions paid/payable by the Scheme $ |
|---|---|---|---|---|---|---|
| IOOF Portfolio Service Superannuation Fund * | 20,174,067 | 14,160,779 | 86.82 | 514,622 | 6,527,910 | 272,658 |

* The information for number of units acquired and disposed shown on this note is sourced from the underlying administration system in IOOF Portfolio Service. These amounts represent the movement in ultimate beneficiary interests in the Scheme and not the movement in units between the Scheme and IOOF Portfolio Service.

## NOTE 3: RELATED PARTY DISCLOSURES (Continued)

### Key management personnel compensation

Key management personnel are remunerated by IOOF Service Co Pty Ltd, a related party of IOOF Investment Services Limited. Payments made from the Scheme to IOOF Investment Services Limited do not include any amount that is directly attributable to key management personnel remuneration.

### Key management personnel loan disclosures

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

### Other transactions within the Scheme

Apart from those details disclosed in this Note, no key management personnel have entered into a material contract with the Scheme since the end of the previous financial year and there were no material contracts involving Directors interests subsisting at year end.

### Key Management Personnel Unitholdings

As at 30 June 2021 and 30 June 2020, no Directors of the Responsible Entity held units in the Scheme.

## NOTE 4: FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30 June 2021 | 30 June 2020 |
|---|---|---|
| | $ | $ |
| **Held at fair value through profit or loss** | | |
| Equity securities | 476,583 | 593,376 |
| Listed unit trusts | 10,738,622 | 10,909,469 |
| Total held at fair value through profit or loss | 11,215,205 | 11,502,845 |
| **Total financial assets held at fair value through profit or loss** | 11,215,205 | 11,502,845 |
| **Comprising:** | | |
| Equity securities | | |
| Australian shares | 476,583 | 593,376 |
| Total equity securities | 476,583 | 593,376 |
| Listed unit trusts | | |
| Units in listed property trusts | 10,738,622 | 10,909,469 |
| Total listed unit trusts | 10,738,622 | 10,909,469 |
| **Total financial assets held at fair value through profit or loss** | 11,215,205 | 11,502,845 |

## NOTE 5: FINANCIAL LIABILITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30 June 2021<br>$ | 30 June 2020<br>$ |
|---|---|---|
| Held at fair value through profit or loss | | |
| Derivatives | 543 | 2,925 |
| **Total held at fair value through profit or loss** | 543 | 2,925 |
| | | |
| **Total financial liabilities held at fair value through profit or loss** | 543 | 2,925 |
| | | |
| **Comprising:** | | |
| Derivatives | | |
| Equity futures | 543 | 2,925 |
| Total derivatives | 543 | 2,925 |
| | | |
| **Total financial liabilities held at fair value through profit or loss** | 543 | 2,925 |

## NOTE 6: DISTRIBUTIONS PAID AND PAYABLE

The distributions were paid/payable as follows:

| | Year ended | | | |
|---|---|---|---|---|
| | 30 June 2021 | | 30 June 2020 | |
| | $ | CPU | $ | CPU |
| 30 September paid | 8,732 | 0.06 | 100,907 | 0.48 |
| 31 March paid | 168,677 | 1.27 | 162,855 | 0.96 |
| 30 June final payable | 200,674 | 1.66 | 47,381 | 0.29 |
| | 378,083 | 2.99 | 311,143 | 1.73 |

## NOTE 7: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Scheme shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

The Scheme's distributions are classified as distributions in the Statement of Changes in Equity.

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

| | 30 June 2021 | | 30 June 2020 | |
|---|---|---|---|---|
| | No. of units | $ | No. of units | $ |
| Opening balance | 16,310,389 | 11,960,153 | 22,841,244 | 22,290,954 |
| Applications | 459,830 | 379,493 | 234,111 | 227,825 |
| Redemptions | (4,704,308) | (3,987,984) | (6,764,966) | (6,623,657) |
| Distributions paid and payable | - | (378,083) | - | (311,143) |
| Total comprehensive income | - | 3,475,566 | - | (3,623,826) |
| Closing balance | 12,065,911 | 11,449,145 | 16,310,389 | 11,960,153 |

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right to the underlying assets of the Scheme. There are no separate classes of units and each unit has the same rights attached to it as all other units of the Scheme. Units are issued and redeemed at the unitholder's option at prices based on the value of the Scheme's net assets at the time of issue/redemption less transaction costs.

## NOTE 7: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (Continued)

### Capital risk management

The Scheme manages its net assets attributable to unitholders (including distribution payable) as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily applications and redemptions at the discretion of unitholders.

The Scheme monitors the level of daily applications and redemptions relative to the liquid assets in the Scheme. During the year, the Scheme's strategy, which was unchanged from last year, was to ensure that there was no significant exposure to illiquid or thinly traded financial instruments.

## NOTE 8: FINANCIAL INSTRUMENTS

### Carrying amount versus fair values

The fair value of financial assets and financial liabilities approximates their carrying amounts in the Statement of Financial Position.

### Fair value hierarchy

The Scheme's accounting policy on fair value measurements is discussed in Note 2 Summary of significant accounting policies.

The Scheme measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Scheme can access at measurement date.
- 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: inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

| 30 June 2021 | Level 1<br>$ | Level 2<br>$ | Level 3<br>$ | Total<br>$ |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss:** | | | | |
| Australian shares | 420,371 | - | 56,212 | 476,583 |
| Units in listed property trusts | 10,738,622 | - | - | 10,738,622 |
| | 11,158,993 | - | 56,212 | 11,215,205 |
| **Financial liabilities held for trading:** | | | | |
| Equity futures | - | 543 | - | 543 |
| | - | 543 | - | 543 |

| 30 June 2020 | Level 1<br>$ | Level 2<br>$ | Level 3<br>$ | Total<br>$ |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss:** | | | | |
| Australian shares | 593,376 | - | - | 593,376 |
| Units in listed property trusts | 10,909,469 | - | - | 10,909,469 |
| | 11,502,845 | - | - | 11,502,845 |
| **Financial liabilities held for trading:** | | | | |
| Equity futures | - | 2,925 | - | 2,925 |
| | - | 2,925 | - | 2,925 |

**NOTE 8: FINANCIAL INSTRUMENTS (Continued)**

The valuation of unlisted unit trusts included in Level 2 is based on the daily net asset value of the managed investment scheme provided by the investment manager.

Level 2 fair values for simple, over the counter derivative financial instruments are based on broker quotes and exchange traded derivatives are quoted on last traded price. These quotes are tested for reasonableness by discounting expected future cash flows using the market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include an adjustment to take account of the credit risk of the Scheme and counterparty where appropriate.

The Scheme recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 to Level 2 or Level 2 to Level 3 of the fair value heirarchy during the financial year ended 30 June 2021. Transfers between Level 1 and Level 3 are disclosed in Movement of Level 3 securities.

During the year a number of the Scheme's investments in equites were reclassed from Level 1 to Level 3 due to stale prices or delisting from the stock exchange.

The following table presents the movement in Level 3 instruments for the year ended 30 June 2021 and 30 June 2020 by class of financial instrument:

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

| 30 June 2021 | Equity Securities $ | Total $ |
|---|---|---|
| Opening balance | - | - |
| Purchases | . | |
| Sales | - | - |
| Transfer out of Level 3 | - | - |
| Transfer into Level 3 | 11 | 11 |
| Gains and losses recognised in profit or loss | 56,200 | 56,200 |
| Closing balance | 56,211 | 56,211 |

The table below sets out information about significant unoberservable inputs used at 30 June 2021 in measuring financial instruments catergorised as Level 3 in the fair value hierarchy.

| 30 June 2021 | Fair Value $ | Valuation technique | Unobservable Inputs | Sensitivity to changes in signficant unobservable inputs |
|---|---|---|---|---|
| Equity securities | 56,211 | Last available listed price. | Market activity/active trading. | The investment's fair value would increase or decrease depending on the demand in the market for the security. |

## NOTE 9: DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Scheme may enter into transactions in various derivative financial instruments. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variables.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have similar responses to changes in market factors.

Derivative transactions include a wide assortment of instruments, such as forwards, futures, interest rate swaps and options. Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Scheme's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio occurs if the level of exposure to the markets exceeds the underlying value of the Scheme.

The Scheme's derivative financial instruments at reporting date are detailed below:

| **30 June 2021** | **Contract/ notional value** | **Fair value** | |
|---|---|---|---|
| | | **Assets** | **Liabilities** |
| | **$** | **$** | **$** |
| Equity futures | 193,375 | - | (543) |
| **Total derivative instruments** | 193,375 | - | (543) |

| **30 June 2020** | **Contract/ notional value** | **Fair value** | |
|---|---|---|---|
| | | **Assets** | **Liabilities** |
| | **$** | **$** | **$** |
| Equity futures | 271,800 | - | (2,925) |
| **Total derivative instruments** | 271,800 | - | (2,925) |

## NOTE 10: FINANCIAL RISK MANAGEMENT

### Strategy in using financial instruments

The Scheme is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including price risk and interest rate risk) arising from the financial instruments it holds.

As a result of the economic downturn and more specifically COVID-19, the Schemes increased their overall risk management practices. The Schemes incorporated a greater focus on asset allocation and increased their monitoring of liquidity. This was achieved via expanded supervision and reporting of member/unitholder redemptions to avoid any significant volatility in cashflows.

The Scheme's overall risk management program focuses on ensuring compliance with the Scheme's governing documents and seeks to maximise the returns derived for the level of risk to which the Scheme is exposed. As part of their risk management strategy, the Scheme may also utilise a range of derivative financial instruments to manage certain risk exposures.

The Responsible Entity via the Investment Manager assesses the risk profile before entering into economic hedge transactions. The effectiveness of all hedge relationships is monitored by the Investment Manager (based on economic consideration rather than IFRS hedge accounting conditions) on a daily basis.

More details about risk management policies employed by the Scheme to manage financial risks are discussed below.

**NOTE 10 : FINANCIAL RISK MANAGEMENT (Continued)**

**Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme, resulting in a financial loss to the Scheme.

The Scheme is exposed to concentrations of risk when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved;
- ensuring that transactions are undertaken with a large number of counterparties (either directly or indirectly).

The Scheme's Responsible Entity via the Investment Manager also manages credit risk by ensuring that a diversified portfolio of securities is held and that the Scheme does not invest in securities that are considered to be rated sub investment grade by a recognised rating agency.

As at 30 June 2021 and 30 June 2020, there are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

The Scheme determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2021 and 30 June 2020, all receivables, amounts due from brokers, cash and short-term deposits are held with counterparties and are either callable on demand or due to be settled within 1 week. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Scheme.

Credit risk is not considered to be significant to the Scheme except in relation to investments in debt securities. The Scheme does not have any investments in debt securities at 30 June 2021 and 30 June 2020.

In accordance with the Scheme's policy, the Responsible Entity via the Investment Manager monitors the Scheme's credit position on a continuous basis.

**Liquidity and cash flow risk**

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Scheme. Cash flow risk is the risk that the future cash flows derived from holding financial instruments will fluctuate.

The risk management guidelines adopted are designed to minimise liquidity and cash flow risk through:

- ensuring that there is no significant exposure to illiquid or thinly traded financial instruments;
- applying limits to ensure there is no concentration of liquidity risk to a particular counterparty or market.

The table below analyses the Scheme's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

| 30 June 2021 | Less than 1 month<br>$ | 1-6 months<br>$ | 6-12 months<br>$ | More than 12 months<br>$ |
|---|---|---|---|---|
| **Non-derivative liabilities** | | | | |
| Distributions payable | 200,675 | - | - | - |
| Other payables | 304,218 | - | - | - |
| Net assets attributable to unitholders | 11,449,145 | - | - | - |
| **Derivative financial liabilities** | - | 543 | - | - |
| **Contractual cashflows** | 11,954,038 | 543 | - | - |

**NOTE 10 : FINANCIAL RISK MANAGEMENT (Continued)**

| 30 June 2020 | Less than 1 month $ | 1-6 months $ | 6-12 months $ | More than 12 months $ |
|---|---|---|---|---|
| **Non-derivative liabilities** | | | | |
| Distributions payable | 47,381 | - | - | - |
| Other payables | 35,833 | - | - | - |
| Net assets attributable to unitholders | 11,960,153 | - | - | - |
| **Derivative financial liabilities** | - | 2,925 | - | - |
| **Contractual cashflows** | 12,043,367 | 2,925 | - | - |

**Market risk**

Market risk is the risk that the changes in market price such as foreign exchange rates, interest rates, equity prices and credit spreads will affect the Scheme's income or the fair value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Scheme's Responsible Entity via the Investment Manager aims to reduce market risk through analysis of the economic cycle and broad research of companies and markets, which may impact the Scheme's investments. In addition, the Responsible Entity, within asset allocation ranges, reduces exposure to sectors they perceive to be overvalued in favour of sectors which they believe have the prospect of better relative returns.

In accordance with the Scheme's policy, the Responsible Entity via the Investment Manager monitors the Scheme's market risk on a continuous basis.

The Scheme has concentrations of market risk exposure which constitute a significant proportion of total assets in listed property trusts (2021: $10,738,622, 2020: $10,909,469).

The effect on the net assets attributable to unitholders and profit or loss due to a reasonably possible change in market factors, as represented by the market index, with all other variables held constant is indicated in the table below.

| 30 June 2021 | Change in price | | Effect on net assets attributable to unitholders and profit or loss | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| **Market Index** | % | % | $ | $ |
| S&P/ASX 300 A-REIT Accumulation Index | 21 | (9) | 2,355,079 | (1,009,319) |

| 30 June 2020 | Change in price | | Effect on net assets attributable to unitholders and profit or loss | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| **Market Index** | % | % | $ | $ |
| S&P/ASX 300 A-REIT Accumulation Index | 22 | (8) | 2,529,982 | (919,994) |

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Scheme's financial instruments will fluctuate as a result of changes in market interest rates.

The Responsible Entity via the Investment Manager establishes interest rate management strategies to manage the risk of the Scheme.This includes managing exposures around the benchmark and hedging exposures through the use of derivatives.

In accordance with the Scheme's policy, the Responsible Entity via the Investment Manager monitors the Scheme's overall interest sensitivity position on a continuous basis.

Interest rate risk is not considered to be significant to the Scheme except in relation to investments in interest bearing securities. The Scheme does not hold any investments in interest bearing securities at 30 June 2021 and 30 June 2020.

However, the Scheme only holds cash for liquidity and transactional purposes and this cash is held at floating rates of interest. As a result, the Scheme is not subject to a material exposure to interest rate risks due to fluctuations in the levels of market interest rates.

## NOTE 11: RECONCILIATION OF PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

### (a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

| | Year ended 30 June 2021 $ | Year ended 30 June 2020 $ |
|---|---|---|
| Profit/(loss) for the year | 3,475,566 | (3,623,826) |
| Net (gains)/losses on financial instruments held at fair value through profit or loss | (3,129,497) | 4,201,624 |
| Proceeds from the sale of financial instruments held at fair value through profit or loss | 5,240,672 | 9,388,965 |
| Payments for the purchase of financial instruments held at fair value through profit or loss | (1,774,719) | (3,098,595) |
| Investment income re-invested | (51,671) | (72,859) |
| Net change in margin account | 134,301 | (89,558) |
| Decrease/(increase) in receivables | (246,043) | 215,164 |
| Increase/(decrease) in payables | (2,426) | (8,338) |
| Net cash inflow/(outflow) from operating activities | 3,646,183 | 6,912,577 |

### (b) Non-cash operating activities

| | | |
|---|---|---|
| Participation in reinvestment plan | 51,671 | 72,859 |
| Proceeds from application for units | 379,392 | 190,724 |
| Payments for redemption of units | (379,392) | (190,724) |
| | 51,671 | 72,859 |

No distributions have been re-invested during the year.

Non-distributable income is included in net assets attributable to unitholders. The change in this amount each year (as reported in (b) above represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable (i.e taxable).

## NOTE 12: AUDITOR'S REMUNERATION

| | Year ended 30 June 2021 | Year ended 30 June 2020 |
|---|---|---|
| **KPMG** | $ | $ |
| Audit services | | |
| Audit and review of the financial reports | 14,930 | 14,930 |
| Other assurance services | | |
| Other regulatory audit services | 3,199 | 3,199 |
| **Ernst & Young** | | |
| Other assurance services | | |
| Taxation services | 850 | 900 |
| **Total audit fees paid** | 18,979 | 19,029 |

Auditors' remuneration is paid by the Responsible Entity.

## NOTE 13: INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

Investments in unlisted unit trusts, which are considered structured entities, are disclosed in Note 3 Related party disclosure .The maximum exposure to loss in the structured entities is the fair value disclosed in the Note 3 Related party disclosure. The fair value of the exposure will change on a daily basis throughout the period and in subsequent periods and will cease once the investments are disposed of.

The investments of the Scheme are managed in accordance with the investment mandates with the respective underlying Investment Managers. The investment decisions of the Scheme are based on the analysis conducted by the Investment Manager. The return of the Scheme is exposed to the variability of the performance of the underlying investment strategies. The underlying Investment Managers receive a management fee for undertaking the management of these investments.

As at 30 June 2021 and 30 June 2020, the Scheme has not imposed any significant restrictions (e.g. borrowing arrangements, regulatory requirements or contractual arrangements) on the ability of any unconsolidated structured entity to transfer funds to the Scheme in the form of dividends or to repay loans or advances made to any unconsolidated structured entity by the Scheme.

As at 30 June 2021 and 30 June 2020, the Scheme does not have any current commitments or intentions to provide financial or other support to any unconsolidated structured entity, including commitments or intentions to assist the structured entity in obtaining financial support.

## NOTE 14: CONTINGENT ASSETS AND LIABILITIES AND CAPITAL COMMITMENTS

There are no outstanding contingent assets, liabilities or capital commitments as at 30 June 2021 and 30 June 2020.

## NOTE 15: LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Scheme will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

The results of the Scheme's operations will be affected by a number of factors, including the performance of markets in which the Scheme invest. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operation of the Scheme and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Scheme.

## NOTE 16: EVENTS SUBSEQUENT TO REPORTING DATE

No significant event has occurred since the end of the reporting period which would impact on the financial position of the Scheme disclosed in the Statement of Financial Position as at 30 June 2021 or on the results and cash flows of the Schemes for the year ended on that date.