



CLARENCE  
PROPERTY



CLARENCE PROPERTY DIVERSIFIED FUND ARSN 095 611 804

# ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

[clarencproperty.com.au](https://clarencproperty.com.au)  
[invest@clarencproperty.com.au](mailto:invest@clarencproperty.com.au)  
1300 853 069

## MANAGER & RESPONSIBLE ENTITY

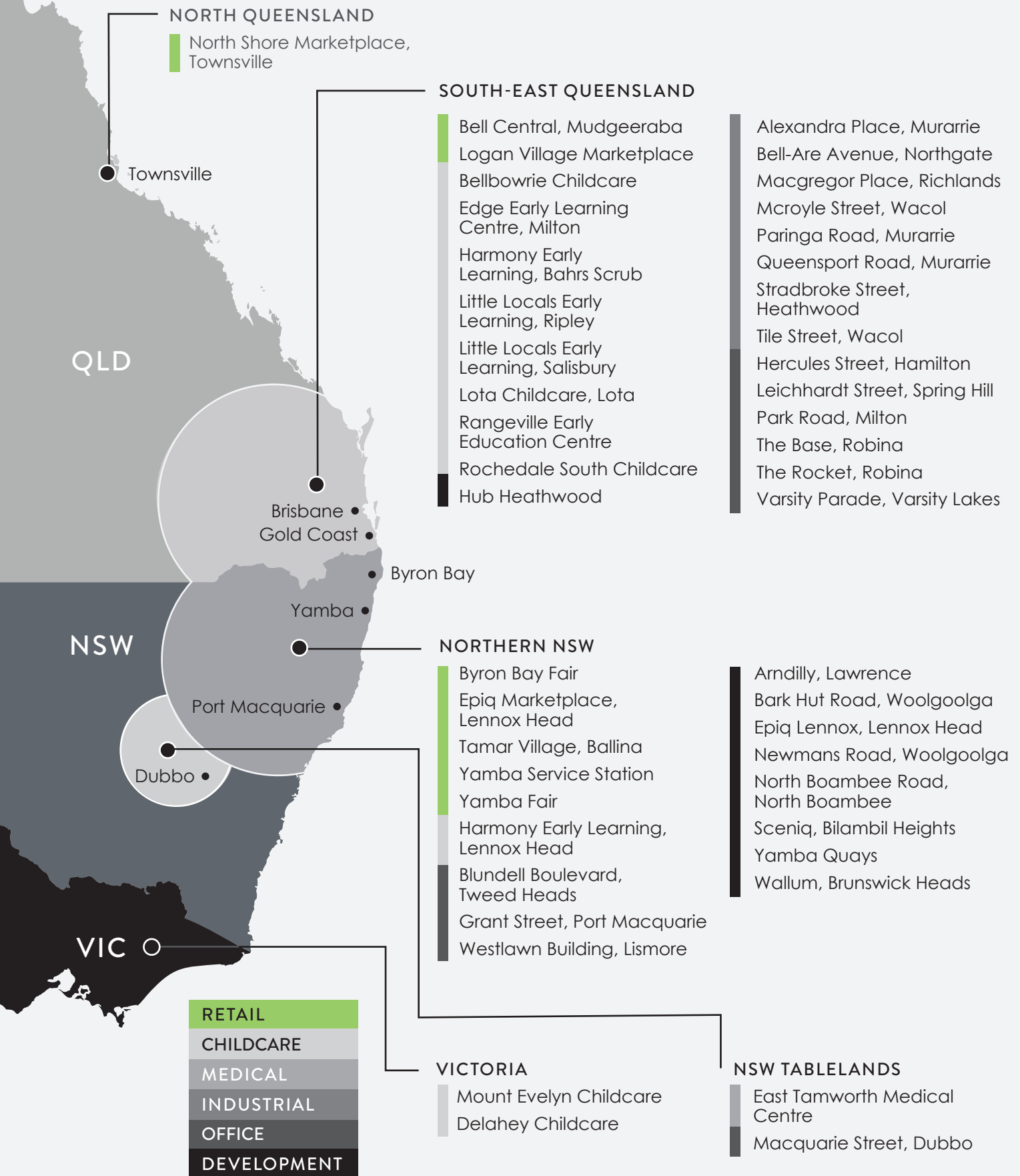
Clarence Property Corporation Limited  
PO BOX 1478, Ballina NSW 2478  
ACN 094 710 942 | AFSL 230212

Clarence Property Corporation Limited as responsible entity for Clarence Property Diversified Fund ARSN 095 611 804 and  
Epiq Lennox Property Trust ARSN 626 201 974.

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# CLARENCE PROPERTY DIVERSIFIED FUND (CPDF) PORTFOLIO MAP



*\*Map not to scale*



# KEY HIGHLIGHTS

## OPERATIONAL OUTCOMES



### INVESTMENT PROPERTY DISPOSALS

**\$100<sup>M</sup>** Gross sale proceeds from sale of three investment properties (representing a 20% premium to 30/6/22 book value)

### NEW CAPITAL RAISED

**\$25.3<sup>M</sup>**

Including \$2m of Distribution Reinvestment (currently 16% of unit holders are reinvesting)



### RESIDENTIAL DEVELOPMENT PIPELINE

**769<sup>LOTS</sup>** Estimated gross realisation value. Increase of 212 Lots and \$38m since 30/6/22

**\$465<sup>M</sup>**



### SOLAR METRICS

**18<sup>SOLAR</sup>** **2.77<sup>MW</sup>**  
**SYSTEMS**

Increase of 4 properties fitted with rooftop solar systems. Increase in generating capacity of 250 kW since 30/6/22

## BALANCE SHEET METRICS

### GEARING

 **36%**


### INTEREST COVER

 **5.1<sup>TIMES</sup>**

### CASH & UNUSED FINANCE FACILITIES

**\$39<sup>M</sup>** **\$63<sup>M</sup>**  
CASH                      UNDRAWN  
   FACILITIES

### TOTAL ASSETS

 **\$771<sup>MILLION</sup>**

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## **DIRECTORY**

### **Responsible Entity and Manager**

Clarence Property Corporation Limited  
ACN 094 710 942  
AFSL 230212

### **Registered Office**

Level 1 Suite 4, Epiq Marketplace  
5 Snapper Drive  
Lennox Head NSW 2478  
Phone: 1300 382 862  
Email: [enquiry@clarencproperty.com.au](mailto:enquiry@clarencproperty.com.au)

### **Postal**

PO Box 1478  
Ballina NSW 2478

### **Auditor for the Group**

PKF Brisbane Audit  
Level 6, 10 Eagle Street  
Brisbane QLD 4000

### **Auditor for the Manager**

PKF Brisbane Audit  
Level 6, 10 Eagle Street  
Brisbane QLD 4000

The directors of Clarence Property Corporation Limited ("Responsible Entity"), the responsible entity of Clarence Property Diversified Fund ("CPDF") and Epiq Lennox Property Trust ("ELPT"), present their report together with the consolidated financial statements for the year ended 30 June 2023 (the "Period") for both:

- i) the Clarence Property Diversified Group ("Group") consisting of Clarence Property Diversified Fund, Epiq Lennox Property Trust and their controlled entities; and
- ii) Clarence Property Diversified Fund.

The units in CPDF and the units in ELPT are combined and issued as stapled securities in the Group. The units in either trust cannot be traded separately and can only be traded together as stapled securities.

## **1 Directors and officers**

### **i) Directors**

The following were directors of the Responsible Entity during the Period and up to the date of this report, unless otherwise stated:

#### **James Dougherty OAM Chairman of Directors (Non- Executive)**

James is a licensed real estate agent and chartered accountant with wide ranging experience in the property, accounting and finance industries. He holds a Bachelor of Economics and a Diploma of Financial Management, both from the University of New England, and also holds a Certificate IV in Financial Services (Finance/Mortgage Broking). He was awarded the Order of Australia Medal in 2014 for services to the community and surf lifesaving. James has been a director of Westlawn Finance Limited since 1994 and has been chairman of directors of Clarence Property Corporation Limited since 2000.

#### **Peter Fahey Managing Director (Executive)**

Peter has been involved in the property industry for more than 35 years. He has a wide range of property experience, in both capital cities and regional areas, including sales, leasing, management, valuation, financing and development. Peter has been involved in funds management since 1994 and was the founder of Clarence Property and Clarence Property Diversified Fund, and subsequently numerous other syndicates. He holds a Bachelor of Business (Retail Property Valuation and Administration).

#### **Darrell Irwin Director (Executive)**

Darrell has over 30 years experience in advising, consulting, developing and selling in the commercial property arena including the office, industrial, retail and residential sectors as well as having a long term involvement in masterplanned communities. He has significant experience in marketing properties both domestically and internationally. Darrell has held leadership roles with development companies and is a former National Director and Director in Charge of the Gold Coast office of Colliers International, specialising in major commercial property transactions and large-scale development properties.

#### **Tony Tippett Director (Non-Executive)**

Tony has been actively involved in the property industry for more than 30 years, from project conception, feasibility, financing, marketing, to sales and delivery of a range of residential, commercial and retail projects up to \$350 million. He is a director of the Robina Group of Companies, an associate member of the Institute of Chartered Accountants Australia and New Zealand, a fellow of the Governance Institute of Australia, a member of the Australian Institute of Company Directors, a licenced Real Estate Agent and holds a Bachelor of Economics from the University of New England.

## 1 Directors and officers (continued)

### i) Directors (continued)

**Andrew Carlton**  
**Director (Non-Executive)**

Andrew is a licensed real estate agent and is a Senior Director at CBRE Brisbane. He commenced his real estate career with CBRE in 1999 and has also held senior roles at Knight Frank. Across his career, Andrew's primary focus has been in the office sector, and he has been involved in numerous key leasing and development campaigns across the Near City markets. Andrew is well respected in the commercial property industry and has built a strong network of industry relationships across all aspects of the real estate and the wider Brisbane business community. He holds a Bachelor of Applied Science, Property Economics from Queensland University of Technology, and has completed a Graduate Diploma of Applied Finance and Investment from Securities Institute of Australia.

### ii) Company Secretary

**Paul Rippon**

Paul has over 40 years' experience in public accounting, finance and property. He holds a Bachelor of Business (Accounting & Business Law) from the New South Wales Institute of Technology and is a member of the Institute of Chartered Accountants Australia and New Zealand. Paul has been involved with the Clarence Property group since 2007, and during that time has been responsible for the day-to-day operations of the Group, its funding arrangements and management of numerous property transactions and land developments in New South Wales and Queensland. Paul sits on the Responsible Entity's compliance committee.

### iii) Directors meetings

Twelve directors meetings were held in the period 1 July 2022 to 30 June 2023 and attendances were:

James Dougherty	12
Peter Fahey	11
Darrell Irwin	11
Tony Tippett	11
Andrew Carlton	12

## 2 Principal activity

The principal activity of the Group during the Period was to invest in commercial rental properties and residential and commercial land development properties, with the aim of providing regular property income to its investors, while at the same time preserving and enhancing the capital value of the portfolio. There was no significant change in the nature of this activity during this Period, other than as stated in these statements.

## 3 Operating and financial review

The following is a summary of key outcomes during the Period:

### i) Operating results

The profit of the Group after income tax for the Period amounted to \$42,592,579 (2022: \$57,560,189). After taking account of distribution of income for the period of \$27,808,950 and brought forward undistributed income, the total undistributed income carried forward to future periods is \$82,871,760.

Net property income (property revenue less property expenses and outgoings) for the Period was \$26,446,068, being a 3% decrease on the corresponding period last year. This is primarily as a result of disposals during the Period.

Net profit from the sale of inventory (i.e. development land) for the Period equated to \$19,157,067, being a 125% increase on the corresponding period last year. This is predominantly due to the sale of Epiq Superlot 5 during the Period.

### 3 Operating and financial review (continued)

#### i) Operating results (continued)

Financing costs for the Period totalled to \$10,775,391, being a 96% increase on the corresponding period last year. This is due to the increase in the variable borrowing rate influenced by the significant lift in the cash rate by the RBA.

The results for the Period were also positively influenced by the profit on sale of three investment properties (Ormeau Marketplace, Zone Underwood & 146 Canberra Street, Hemmant), totalling \$15,303,938. Sales prices reflected an 8%, 53% and 5% premium respectively to the valuations as at 30 June 2022.

The impact on operations due to economic uncertainties following COVID-19 was relatively minor. The operating results reflect the strength, diversity and resilient nature of the Group's properties and tenants.

#### ii) Investment property portfolio

As at 30 June 2023 the Group had a diversified portfolio of 40 investment properties with a total value of \$521,087,350 (decrease of 8% from June 2022, due to property disposals - see c) below), spread across the retail, commercial office, warehousing/logistics, childcare, medical & rural asset sectors. Of these properties, eight are still under construction through fund-through arrangements with developers and one is a vacant parcel of land pending future development.

##### a) Leasing and occupancy

Since 1 July 2022, the Group has completed 31,144m<sup>2</sup> of leasing across 65 separate transactions representing approximately 23% of the portfolio by area. Of these transactions, 37 were lease renewals or extensions representing a retention rate of 75%.

At 30 June 2023, the Group's investment properties had a weighted average lease expiry of 4.3 years (June 2022: 4.8 years) and an occupancy rate of 91% (June 2022: 95%).

##### b) Acquisitions

On 16 November 2022 the Group acquired two parcels of land at 53A and 53B South Street, Rangeville QLD for \$1,195,000 upon which a childcare centre is being constructed. The acquisition was funded from cash reserves.

On 23 January 2023 the Group acquired two parcels of land at 54 and 56 Clegg Road, Mount Evelyn VIC for \$1,755,000 upon which a childcare centre is being constructed. The acquisition was funded from cash reserves.

On 8 March 2023 the Group acquired a parcel of land at 217 Kangaroo Gully Road, Bellbowrie QLD for \$820,000 upon which a childcare centre is being constructed. The acquisition was funded from cash reserves.

On 15 March 2023 the Group acquired a parcel of land at 215 Whites Road, Lota QLD for \$1,250,000 upon which a childcare centre is being constructed. The acquisition was funded from cash reserves.

##### c) Disposals

On 19 September 2022 the Group completed the sale of Ormeau Marketplace. The sale price of \$34,000,000 reflected an 8% premium to the property's valuation of \$31,500,000 as at 30 June 2022. Proceeds were used to reduce the ING finance facility by \$16,750,000, with the balance held in cash.

Settlement of the sale of Zone Underwood was expected to occur in late September 2022, however in late August part of the property was severely impacted by fire. After working closely with the Group's insurers and the purchaser a way forward was found with settlement occurring on 21 December 2022. The sale price of \$56,000,000 reflected a 53% premium to the property's valuation of \$36,500,000 as at 30 June 2022. Proceeds have been held in cash pending redeployment into future property acquisitions.

### 3 Operating and financial review (continued)

#### ii) Investment property portfolio (continued)

##### c) Disposals (continued)

As part of the final Zone Underwood settlement agreement with the purchaser, the Group has assumed an obligation to rebuild the impacted building and has provided a rental guarantee to the purchaser to cover lost rent while the building is being reinstated. Our insurers have accepted our claim and will cover the cost of the rebuild. Further we have accepted a payout from our insurers for lost rent, which is expected to offset the majority of any claims from the purchaser under the rental guarantee provided.

On 19 April 2023, the Group completed the sale of 146 Canberra Street, Hemmant. The sale price of \$8,800,000 reflected a 5% premium to the property's valuation of \$8,400,000 as at 30 June 2022. Proceeds have been held in cash pending redeployment into future property acquisitions.

##### d) Valuations

During the Period sixteen investment properties (40% of the portfolio) were independently revalued, resulting in a 9% increase in their valuations:

Property description	Valuation date	Previous valuation \$	New valuation \$	Change since last valuation \$
<u>Commercial office</u>				
183 Varsity Parade, Varsity Lakes	Aug-22	12,250,000	12,750,000	500,000
9 Hercules Street, Hamilton	Aug-22	10,200,000	12,000,000	1,800,000
188 Macquarie Street, Dubbo	Aug-22	10,700,000	11,300,000	600,000
65 Park Road, Milton	Aug-22	5,950,000	5,950,000	-
27-29 Grant Street, Port Macquarie	Oct-22	16,000,000	15,700,000	(300,000)
<u>Retail</u>				
Byron Bay Fair	Sep-22	14,000,000	15,500,000	1,500,000
Bell Central, Mudgeeraba	Sep-22	16,500,000	17,600,000	1,100,000
<u>Childcare &amp; Medical</u>				
East Tamworth Medical Centre	Sep-22	14,500,000	15,600,000	1,100,000
Milton Childcare	Sep-22	8,435,000	9,450,000	1,015,000
Bahrs Scrub Childcare	Sep-22	5,600,000	6,800,000	1,200,000
Epiq Childcare, Lennox Head	Jan-23	3,925,000	4,750,000	825,000
<u>Logistics/Distribution/Industrial/Other</u>				
48 Bell-Are Avenue, Northgate	Aug-22	11,600,000	12,400,000	800,000
42 Mcroyle Street, Wacol	Sep-22	7,850,000	10,000,000	2,150,000
81 Stradbroke Street, Heathwood	Sep-22	7,400,000	9,400,000	2,000,000
31 Paringa Rd, Murarrie	Aug-22	18,200,000	20,200,000	2,000,000
96 Tile Street, Wacol	Oct-22	7,300,000	7,300,000	-
		<b>170,410,000</b>	<b>186,700,000</b>	<b>16,290,000</b>



### 3 Operating and financial review (continued)

#### ii) Investment property portfolio (continued)

##### d) Valuations (continued)

Additionally, as part of the directors' review of property valuations as at 30 June 2023, six property valuations were reduced from their last independent valuation as follows:

Property description	Sector	Independent valuation \$	Directors valuation \$	Movement in valuation \$
183 Varsity Parade, Varsity Lakes	Commercial office	12,750,000	11,350,000	(1,400,000)
201 Leichhardt Street, Spring Hill	Commercial office	14,800,000	12,600,000	(2,200,000)
9 Hercules Street, Hamilton	Commercial office	12,000,000	11,450,000	(550,000)
188 Macquarie Street, Dubbo	Commercial office	11,300,000	9,900,000	(1,400,000)
65 Park Road, Milton	Commercial office	5,950,000	4,325,000	(1,625,000)
Logan Village Marketplace	Retail	17,250,000	14,600,000	(2,650,000)
		<b>74,050,000</b>	<b>64,225,000</b>	<b>(9,825,000)</b>

As a result of the above valuation changes, together with acquisitions and disposals during the Period, the weighted average capitalisation rate for the portfolio softened to 6.4% as at 30 June 2023 (June 2022: 6.3%).

The property market is dynamic and property values may rise or fall from time to time. The Group has no capacity to influence the market, but we are continually looking to enhance the value of our properties. Any change in property values affects the Group's net tangible asset backing and also the Group's financial covenants.

##### e) Sustainability

Sustainability is a key focus of the Group when managing its properties and assessing acquisition opportunities. This includes consideration of the property's energy efficiency, water efficiency and solar power generating capability.

All the Group's commercial office buildings have achieved NABERS Energy Ratings, with two properties receiving a 6 star rating and a further four properties achieving 5.5 star ratings, resulting in 67% of the Group's commercial office properties being rated as excellent or market leading.

Sixteen (40%) of the Group's investment properties have on-site solar power with the capacity to generate in excess of 2.03MW, enhancing efficiency and reducing reliance on the grid. Additionally the Group has leases at a further two properties where it has installed solar panels with generating capacity of over 744kW.

#### iii) Inventory & property development

The Group now has a residential land development pipeline of 769 lots (June 2022: 557 lots) with a forecast gross realisation value of \$465m (June 2022: \$427m) across 7 projects. Additionally, the Group owns a 24 lot industrial land subdivision with a forecast gross realisation of \$87m.

Across the Group, we have development properties at all stages of their life-cycle - in planning, with local Councils or the NSW Dept. of Planning for approval, under construction and selling. It is fair to say the "heat" has gone out of development activities over the last year, with a blowout in Council approval timeframes (largely flood and resource related), rising construction costs and a noticeable slowdown in the rate of sale. That said, we are continuing to see evidence of signs of improvement, and anticipate some "normality" returning to the land development sector during the next 12 months.

### 3 Operating and financial review (continued)

#### iii) Inventory & property development (continued)

During the Period the Group acquired:

##### 290-290a North Boambee Rd, North Boambee Valley NSW

In July 2022 the Group settled the purchase of a 55ha residential subdivision site at 290 North Boambee Road, Boambee NSW for \$10,500,000. The purchase was funded from cash reserves.

##### Bark Hut Road, Woolgoolga NSW

In October 2022 the Group settled the purchase of a 16.4ha residential subdivision site on Bark Hut Road, Woolgoolga NSW for \$14,500,000. The purchase was funded from cash reserves.

In January 2023 the Group settled the purchase of a 3.7ha residential subdivision site at 36 Bark Hut Road, Woolgoolga NSW, adjacent to the Group's existing Bark Hut Road development. The purchase price was \$5,050,000 with \$2,000,000 of this being deferred for 4 years. The initial \$3,000,000 was funded from cash reserves.

A summary of each development is as follows:

##### "Epiq" Lennox

- i) The Pocket - The civil works programme to create 14 residential lots finished in January 2023 with subdivision certificate and titles issued in April 2023. The sale of 11 lots were settled during the Period. Two of the remaining lots settled in July and the last lot is expected to settle in September 2023.
- ii) Super Lot 5 - The 4.2ha site has been sold to the NSW Department of Education as the future site of the new Lennox Head Primary School. The sale settled on 29 June 2023.
- iii) Super Lot 7 - The civil works programme to create 33 residential lots, 26 live/work lots and 2 commercial lots was completed in December 2022 with subdivision certificate and titles issued in April 2023. Sale of 9 of the 33 residential lots settled during the period with an additional 8 settled up to the date of this report. 2 lots are under unconditional sale contract with the remaining 14 residential lots being marketed for sale. Design and planning for the live/work and commercial lots is continuing.

##### Yamba Quays

- i) Stage 2 - The sale of the four remaining lots in this stage settled during the Period. The stage is now complete.
- ii) Stage 3 - The civil works programme is complete with subdivision certificate issued in July 2023. Titles were issued in August 2023 with settlements to follow. 7 of the 11 lots are under conditional sale contracts, with sale details agreed on a further 2 lots. The final 2 lots are being marketed for sale.
- iii) Stages 4 & 5 - A construction certificate application for Stage 4 has been lodged with Clarence Valley Council for the civil works. The civil works programme is anticipated to commence in late 2023. Stage 5 design work is continuing.

##### "Sceniq" Bilambil Heights

- i) An unconditional sale of the englobo site has been agreed for \$16,500,000 (inc. GST) and is scheduled to settle on 31 January 2024.

##### "Wallum" Brunswick Heads

- i) A development application for 127 lots was approved by Byron Shire Council in May 2023. A construction certificate application has been lodged to commence civil works. It is anticipated early works will commence in late 2023 and construction of the first stage will commence in early/mid 2024. A marketing and sales campaign was launched in December 2022 with eighteen lots now under unconditional contracts of sale, with a further one having sale details agreed. Additional lots will be gradually released and marketed closer to construction commencing.

##### Newmans Road, Woolgoolga

- i) Planning activity has continued. During the Period Coffs Harbour City Council adopted its development contributions plan (DCP), which allowed a development application to be lodged in April 2023.

##### "Hub" Heathwood

- i) The civil works program commenced in July 2022 and is expected to complete in October 2023. Sales and marketing activity continues with the lots being gradually released to the market for sale. Seven of the twenty four lots are under unconditional contracts of sale for gross proceeds of \$21.1m. Additionally, three lots are in due diligence. Further lots have been taken to the market under an expression of interest campaign.

### 3 Operating and financial review (continued)

#### iv) Finance facilities and capital management

As at 30 June 2023 the Group had drawn borrowings of \$277,329,553 (June 2022: \$273,429,772) with a weighted average post-hedging interest cost of 4.97% (June 2022 3.49%) and net gearing of 32.5% (June 2022: 36.8%). Cash and cash equivalents increased by \$29.8m during the period to \$39.2m, reflecting the proceeds from sale of investment and development properties being held in cash at 30 June 2023.

The Group has in place interest rate derivatives totalling \$169,800,000 representing 61% of drawn borrowings. \$129,800,000 was active as at 30 June 2023, with the remainder being forward-start positions coming into effect during the next 12 months.

The Group has borrowings which are exposed to interest rate movements, and rising interest costs will negatively impact net profit. The Directors believe Group gearing is such that foreseeable increases in interest costs can reasonably be managed.

During the Period the Group continued to draw on the \$45,000,000 finance facility with Bank of Queensland, to fund the development costs associated with some of its development projects.

As part of the sale of Ormeau Marketplace in September 2022 the Group repaid \$16,750,000 from its finance facility with ING. The facility limit is now \$8,000,000.

In September 2022 the Group extended its existing \$19,800,000 finance facility with BOQ for a further 3 years to September 2025, and in May 2023 extended its existing \$14,850,000 finance facility with CBA to now expire in May 2027.

In December 2022 the Group drew an additional \$15,000,000 from the existing \$50,000,000 finance facility with ANZ by providing Grant Street, Port Macquarie and Tile Street, Wacol as security to the CTD security pool.

The Group continues to comply with all its financial covenants in relation to each of its finance facilities.

#### v) Capital raising

Since re-opening of the PDS in April 2022 and to the date of this report, 23,138,946 units have been issued.

During the Period a total of 18,861,467 units were issued at an average \$1.10 per unit, resulting in new issued capital of \$20,747,614.

Pursuant to the Distribution Reinvestment Plan, 4,235,893 units were issued at an average \$1.07 per unit during the Period, representing a unitholder participation rate of 16.2%.

#### vi) Outlook

While the world is now learning to live with COVID-19, new challenges are presenting themselves which may impact the Group's future operations. Global geo-political instability has caused impacts to supply chains, whilst economies have rebounded faster and sharper than most central banks anticipated following COVID-19. This has led to inflation, which in turn has led to central banks tightening monetary policy. These uncertain economic conditions may, in particular, lead to a period of continuing subdued residential land sales.

It is also possible new risks may emerge as a result of domestic or foreign markets experiencing extreme stress, or existing risks (including impacts of COVID-19) may evolve in ways not currently foreseeable.

The Group aims to mitigate the potential impacts of fluctuating economic conditions by seeking to maintain a strong and conservative balance sheet and financial position. The Group's net gearing at Period end was 32.5%, it had cash and cash equivalents of \$39m and additionally \$63m of undrawn finance facilities.

#### **4 Significant changes in the state of affairs of the Group**

In the opinion of the Directors there were no significant changes in the state of affairs of the Group during the Period, other than those stated in these statements.

#### **5 Matters arising since the period end**

Since the Period end, economic uncertainty has continued to evolve with potential impacts on specific areas of judgement applied in preparing these financial statements. The Group has continued to re-evaluate the potential impacts on significant inputs and key areas of judgement as outlined in Note 1. Based on these evaluations, the Group has determined there are no material events since Period end which would give rise to an adjustment.

On 1 July 2023 units totalling 492,822 were issued in relation to funds received during June 2023 pursuant to the PDS and the DRP Plan, and is shown as a current liability in the financial statements.

No matter or circumstance, other than as mentioned above, has arisen since the end of the Period that has significantly affected or may significantly affect:

- i) the operations of the Group;
- ii) the results of those operations; or
- iii) the state of affairs of the Group in subsequent financial years.

#### **6 Likely developments in the operations of the Group**

The Group will continue with a similar level of activity for the year ending 30 June 2024 as in the past. The Responsible Entity will continue to ensure the long term growth of the Group by identifying profitable long term property opportunities in Australia, and will continue to carefully manage and develop existing properties.

#### **7 Environmental issues**

The Group's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth, State or Territory. The Group is, however, party to a Conservation Zone Management Plan relating to its "Epiq Lennox" development.

#### **8 Distributions to unitholders**

During the Period unitholders received or were entitled to receive cash distributions of \$27,808,950 (2022: \$24,306,914). The average annualised rate of cash distributions for the Period was 6.2 cents per unit (2022: 6.0 cents per unit).

#### **9 Options on units**

There are no options over any units in the Group.



## 10 Responsible Entity fees

Fees paid to the Responsible Entity in accordance with the Constitutions of the Group during the Period are disclosed in Note 26 on Page 39 of the financial statements.

## 11 Indemnifying officers or auditor

During or since the end of the Period the Responsible Entity has not given an indemnity or entered an agreement to indemnify any officer or auditor in respect of the operations of the Group.

The Responsible Entity pays premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Responsible Entity, other than conduct involving a wilful breach of duty in relation to the Responsible Entity.

## 12 Interests in the Group

The details of interests (i.e. issued units) in the Group for the Period were:

i) Units as at 1 July 2022	433,282,172
Units issued during the period	23,097,360
Units redeemed during the period	-
Units as at 30 June 2023	<u>456,379,532</u>

Details of units held by related parties are disclosed in Note 26 on page 38 of the financial statements.

- ii) The value of the Group's total assets at 30 June 2023 was \$771,693,969.  
Assets were valued at cost or fair value.

## 13 Proceedings on behalf of the Group

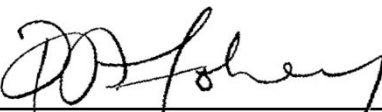
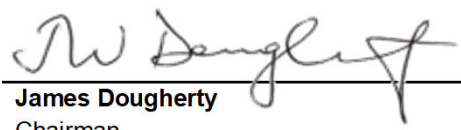
No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Responsible Entity was not a party to any such proceedings during the Period.

## 14 Auditors' Independence Declaration

A copy of the Auditors' Independence Declaration, as required under section 307C of the Corporations Act 2001, is set out on page 11.

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

  
\_\_\_\_\_  
**Peter Fahey**  
Managing Director  
\_\_\_\_\_  
**James Dougherty**  
Chairman

Dated 7th day of September 2023

**AUDITOR'S INDEPENDENCE DECLARATION**  
**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**  
**TO THE DIRECTORS OF CLARENCE PROPERTY GROUP**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

*PKF*

PKF BRISBANE AUDIT



LIAM MURPHY  
PARTNER

BRISBANE, 7 SEPTEMBER 2023

	Note	Consolidated Group		CPDF	
		30 June 2023 \$	30 June 2022 \$	30 June 2023 \$	30 June 2022 \$
<b>Revenue and other income</b>					
Interest revenue		777,508	16,258	717,265	13,594
Property revenue		42,889,052	41,738,838	30,051,798	26,854,556
Sale of inventories		34,764,226	19,521,930	-	-
Profit on disposal of assets		15,303,938	-	14,128,567	-
Other income	2	38,491	1,372,985	6,107,826	4,025,987
Fair value gain from investment property	13	1,856,056	26,003,167	406,858	13,264,033
Fair value adjustments to financial assets		-	(1,040,190)	-	(1,040,190)
Fair value gain on derivative financial instruments		738,367	8,126,678	628,544	8,126,678
<b>Total revenue</b>		<b>96,367,638</b>	<b>95,739,666</b>	<b>52,040,858</b>	<b>51,244,658</b>
<b>Expenses</b>					
Financing costs	3	(10,775,391)	(5,507,302)	(7,385,279)	(3,862,620)
Property expenses and outgoings		(16,442,984)	(14,336,421)	(9,437,644)	(8,752,073)
Bad and doubtful debts expense		(221,293)	(1,282)	(119,463)	-
Inventory sales costs		(5,260,518)	(2,394,040)	-	(4,879)
Cost of inventories sold		(10,346,641)	(8,618,241)	-	-
Fund management fees	26	(5,933,851)	(4,559,693)	(4,503,521)	(3,714,480)
Other expenses		(1,071,387)	(1,304,420)	(736,791)	(925,263)
<b>Total expenses</b>		<b>(50,052,065)</b>	<b>(36,721,399)</b>	<b>(22,182,698)</b>	<b>(17,259,315)</b>
<b>Net profit before income tax</b>		<b>46,315,573</b>	<b>59,018,267</b>	<b>29,858,160</b>	<b>33,985,343</b>
Income tax (expense)/benefit	5	(3,722,994)	(1,458,078)	-	-
<b>Profit after income tax attributable to unitholders</b>		<b>42,592,579</b>	<b>57,560,189</b>	<b>29,858,160</b>	<b>33,985,343</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income attributable to unitholders</b>		<b>42,592,579</b>	<b>57,560,189</b>	<b>29,858,160</b>	<b>33,985,343</b>

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

	Note	Consolidated Group		CPDF	
		30 June 2023 \$	30 June 2022 \$	30 June 2023 \$	30 June 2022 \$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	39,265,543	9,464,513	38,437,436	6,220,389
Trade and other receivables	7	11,271,830	1,815,522	10,267,038	741,590
Inventory	9	48,232,801	6,817,920	-	-
Prepaid income tax		693,696	639,191	-	-
Other assets	12	2,110,235	2,389,165	821,351	838,793
Total current assets		<u>101,574,105</u>	<u>21,126,311</u>	<u>49,525,825</u>	<u>7,800,772</u>
<b>Non-current assets</b>					
Trade and other receivables	7	-	-	298,893,628	274,373,571
Financial assets	8	-	-	10,163,620	10,163,620
Inventory	9	133,044,844	126,367,993	629,014	629,014
Deferred tax assets	10	1,537,829	1,508,711	-	-
Property, plant and equipment	11	2,320,118	1,813,232	-	-
Investment property	13	521,087,350	566,408,691	341,555,000	374,880,000
Derivative financial instruments	19	11,978,432	9,241,145	11,513,338	9,241,145
Other assets	12	151,291	374,006	151,291	374,006
Total non-current assets		<u>670,119,864</u>	<u>705,713,778</u>	<u>662,905,891</u>	<u>669,661,356</u>
<b>Total assets</b>		<u><b>771,693,969</b></u>	<u>726,840,089</u>	<u><b>712,431,716</b></u>	<u>677,462,128</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	14	8,542,704	6,133,914	4,584,359	3,665,691
Income tax	15	-	20,609	-	-
Other liabilities	16	4,451,250	8,083,964	3,468,790	6,932,276
Financial liabilities	18	19,824,853	-	-	-
Total current liabilities		<u>32,818,807</u>	<u>14,238,487</u>	<u>8,053,149</u>	<u>10,597,967</u>
<b>Non-current liabilities</b>					
Other liabilities	16	2,000,000	-	-	-
Deferred tax liabilities	17	770,078	635,094	-	-
Financial liabilities	18	257,504,700	273,429,772	237,504,500	239,429,671
Total non-current liabilities		<u>260,274,778</u>	<u>274,064,866</u>	<u>237,504,500</u>	<u>239,429,671</u>
<b>Total liabilities</b>		<u><b>293,093,585</b></u>	<u>288,303,353</u>	<u><b>245,557,649</b></u>	<u>250,027,638</u>
<b>Net assets</b>		<u><b>478,600,384</b></u>	<u>438,536,736</u>	<u><b>466,874,067</b></u>	<u>427,434,490</u>
<b>EQUITY</b>					
<b>Unitholders' equity</b>					
Issued capital		395,728,624	370,448,605	395,728,624	370,448,605
Undistributed income		82,871,760	68,088,131	71,145,443	56,985,885
<b>Total unitholders' equity</b>		<u><b>478,600,384</b></u>	<u>438,536,736</u>	<u><b>466,874,067</b></u>	<u>427,434,490</u>

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



<b>Consolidated Group</b>	<b>No. of units on issue</b>	<b>Issued capital \$</b>	<b>Undistributed income \$</b>	<b>Total \$</b>
Balance at 1 July 2022	433,282,172	370,448,605	68,088,131	438,536,736
Total comprehensive income attributable to unitholders	-	-	42,592,579	42,592,579
	<u>433,282,172</u>	<u>370,448,605</u>	<u>110,680,710</u>	<u>481,129,315</u>
<b>Transactions with unitholders recorded directly in equity:</b>				
Distributions paid/payable	-	-	(27,808,950)	(27,808,950)
Units issued	23,097,360	25,280,019	-	25,280,019
Units redeemed	-	-	-	-
<b>Balance at 30 June 2023</b>	<u><b>456,379,532</b></u>	<u><b>395,728,624</b></u>	<u><b>82,871,760</b></u>	<u><b>478,600,384</b></u>

<b>Consolidated Group</b>	<b>No. of units on issue</b>	<b>Issued capital \$</b>	<b>Undistributed income \$</b>	<b>Total \$</b>
Balance at 1 July 2021	353,668,719	310,040,656	15,375,856	325,416,512
Total comprehensive income attributable to unitholders	-	-	57,560,189	57,560,189
	<u>353,668,719</u>	<u>310,040,656</u>	<u>72,936,045</u>	<u>382,976,701</u>
<b>Transactions with unitholders recorded directly in equity:</b>				
Distributions paid/payable	-	(19,459,000)	(4,847,914)	(24,306,914)
Units issued	79,613,453	79,866,949	-	79,866,949
Units redeemed	-	-	-	-
<b>Balance at 30 June 2022</b>	<u><b>433,282,172</b></u>	<u><b>370,448,605</b></u>	<u><b>68,088,131</b></u>	<u><b>438,536,736</b></u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

<b>Clarence Property Diversified Fund</b>	<b>No. of units on issue</b>	<b>Issued capital \$</b>	<b>Undistributed income \$</b>	<b>Total \$</b>
Balance at 1 July 2022	433,282,172	370,448,605	56,985,885	427,434,490
Total comprehensive income attributable to unitholders	-	-	29,858,160	29,858,160
	<u>433,282,172</u>	<u>370,448,605</u>	<u>86,844,045</u>	<u>457,292,650</u>
<b>Transactions with unitholders recorded directly in equity:</b>				
Distributions paid/payable	-	-	(15,698,602)	(15,698,602)
Units issued	23,097,360	25,280,019	-	25,280,019
Units redeemed	-	-	-	-
<b>Balance at 30 June 2023</b>	<u><u>456,379,532</u></u>	<u><u>395,728,624</u></u>	<u><u>71,145,443</u></u>	<u><u>466,874,067</u></u>

<b>Clarence Property Diversified Fund</b>	<b>No. of units on issue</b>	<b>Issued capital \$</b>	<b>Undistributed income \$</b>	<b>Total \$</b>
Balance at 1 July 2021	353,668,719	310,040,656	23,000,542	333,041,198
Total comprehensive income attributable to unitholders	-	-	33,985,343	33,985,343
	<u>353,668,719</u>	<u>310,040,656</u>	<u>56,985,885</u>	<u>367,026,541</u>
<b>Transactions with unitholders recorded directly in equity:</b>				
Distributions paid/payable	-	(19,459,000)	-	(19,459,000)
Units issued	79,613,453	79,866,949	-	79,866,949
Units redeemed	-	-	-	-
<b>Balance at 30 June 2022</b>	<u><u>433,282,172</u></u>	<u><u>370,448,605</u></u>	<u><u>56,985,885</u></u>	<u><u>427,434,490</u></u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

	Note	Consolidated Group		CPDF	
		30 June 2023 \$	30 June 2022 \$	30 June 2023 \$	30 June 2022 \$
<b>Cash flows from operating activities</b>					
Receipts from operations (including GST)		42,609,522	47,892,163	23,899,768	30,499,170
Interest received		777,508	16,258	717,265	13,594
Trust distributions received		1,657	1,232,625	6,107,826	3,899,284
Proceeds from sale of inventories		34,764,226	19,521,930	-	-
Payment for derivative financial instruments		(1,998,920)	(189,777)	(1,643,649)	(189,777)
Other receipts		36,834	140,360	-	126,703
Payment to suppliers		(35,588,347)	(33,265,564)	(16,594,590)	(14,527,590)
Payment for inventory		(57,108,424)	(93,208,906)	-	-
Goods & services tax received (paid)		683,558	6,274,313	(493,003)	(669,487)
Borrowing costs paid		(10,533,000)	(5,542,327)	(7,142,889)	(3,897,646)
Income taxes received (paid)		(3,692,242)	(2,332,384)	-	-
<b>Net cash provided by (used in) operating activities</b>	<b>24</b>	<b>(30,047,628)</b>	<b>(59,461,309)</b>	<b>4,850,728</b>	<b>15,254,251</b>
<b>Cash flows from investing activities</b>					
Net loans repaid (advanced)		-	-	(24,520,058)	(80,190,331)
Proceeds from sale of investment property		93,126,770	-	52,051,397	-
Payment for investment property		(30,590,323)	(103,967,138)	(4,363,193)	(72,175,299)
Payment for property, plant and equipment		(600,565)	(1,341,159)	-	-
Payment for (proceeds from) investments in trusts		-	-	-	(800)
<b>Net cash provided by (used in) investing activities</b>		<b>61,935,882</b>	<b>(105,308,297)</b>	<b>23,168,146</b>	<b>(152,366,430)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of units		21,248,159	74,899,873	21,248,159	74,899,873
Proceeds from borrowings		59,988,364	106,993,080	43,386,020	72,992,979
Repayment of borrowings		(56,088,583)	(26,391,060)	(45,311,191)	(26,391,060)
Distributions paid		(27,235,164)	(23,872,756)	(15,124,815)	(19,024,844)
<b>Net cash provided by (used in) financing activities</b>		<b>(2,087,224)</b>	<b>131,629,137</b>	<b>4,198,173</b>	<b>102,476,948</b>
Net increase (decrease) in cash held		29,801,030	(33,140,469)	32,217,047	(34,635,231)
Cash at beginning of financial year		9,464,513	42,604,982	6,220,389	40,855,620
<b>Cash at the end of the financial year</b>	<b>6, 24</b>	<b>39,265,543</b>	<b>9,464,513</b>	<b>38,437,436</b>	<b>6,220,389</b>

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

## 1 Summary of significant accounting policies

The Clarence Property Diversified Group ("Group") represents the combination or stapling of Clarence Property Diversified Fund ("CPDF") and Epiq Lennox Property Trust ("ELPT") and the entities they controlled at the end of, or during, the year ended 30 June 2023 (the "Period"). CPDF and ELPT are both registered managed investment schemes in accordance with the Corporations Act 2001 and are domiciled in Australia.

The constitutions of CPDF and ELPT and the stapling deed between the entities ensure the number of units on issue in both trusts shall be equal and that their unitholders be identical. Clarence Property Corporation Limited as Responsible Entity of both trusts must at all times act in the best interest of the Group. The stapling arrangement will continue until the winding up of either CPDF or ELPT, or either entity terminating the stapling arrangement.

The Group has elected to utilise ASIC Corporations (Stapled Group Reports) Instrument 2015/838 and present the combined financial statements covering the consolidated Clarence Property Diversified Group ("Consolidated Group") and Clarence Property Diversified Fund as an individual entity.

### Basis of preparation

The financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board and the Corporations Act 2001, as appropriate for for-profit orientated entities.

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

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements are presented in Australian dollars which is the Group's functional and presentational currency.

### Economic Outlook

The impact on operations due to economic uncertainties following COVID-19 was relatively minor. The operating results reflect the strength, diversity and resilient nature of the Group's properties and tenants.

While the world is now learning to live with COVID-19, new challenges are presenting themselves which may impact the Group's future operations. Global geo-political instability has caused impacts to supply chains, whilst economies have rebounded faster and sharper than most central banks anticipated following COVID-19. This has led to inflation, which in turn has led to central banks tightening monetary policy. These uncertain economic conditions may, in particular, lead to a period of continuing subdued residential land sales.

It is also possible new risks may emerge as a result of domestic or foreign markets experiencing extreme stress, or existing risks (including impacts of COVID-19) may evolve in ways not currently foreseeable.



## 1 Summary of significant accounting policies (continued)

### Statement of compliance

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

### a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Clarence Property Diversified Fund and Epiq Lennox Property Trust as at 30 June 2023 and the results of all subsidiaries for the period then ended.

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

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

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

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

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

### b) Investment property

Investment property comprises investment interests in land and buildings (including integral plant and equipment) held for the purpose of letting to produce rental income or for capital appreciation or both. Initially, investment property is measured at cost including transaction costs. Subsequent to initial recognition, investment property is then stated at fair value at each balance date with any gain or loss arising from a change in fair value of investment property recognised in the statement of profit or loss and other comprehensive income in the period in which it arises. Fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

## 1 Summary of significant accounting policies (continued)

### b) Investment property (continued)

External independent valuations are commissioned at least once every three years or when the directors are of the opinion there has been a material movement in the market. Internal valuations are also undertaken by suitably experienced and qualified appraisers for those properties not externally valued at each balance date.

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

Land & Buildings (including integral plant and equipment) which comprise the investment property are not depreciated. The carrying amount of investment properties includes components relating to lease incentives, leasing costs and receivables on rental income that have been recorded on a straight line basis.

Transfers are made from investment property to inventories when, and only when, there is a change in use as evidenced by commencement of development with a view to sale. When an investment property is disposed of without development, it continues to be treated as an investment property until it is derecognised.

Investment property is derecognised when disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on derecognition of an investment property is recognised in the statement of profit or loss and other comprehensive income in the period of derecognition.

Investment property also includes property under construction for future use as investment property. These are carried at fair value, or at cost where fair value cannot be reliably determined and the construction is incomplete.

### c) Operating leases - investment property

The minimum rental revenue of operating leases with fixed rental increases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, is recognised on a straight-line basis.

Revenue from other leases is recognised in accordance with the lease agreement, which is considered to best represent the pattern of service rendered through the provision of the leased asset.

Lease incentives under operating leases may take the form of cash, rent-free periods, contributions to certain lessee costs, relocation costs and lessee or lessor owned fit-outs and improvements. These incentives are capitalised as part of the carrying value of the investment property and amortised on a straight-line basis over the term of the lease as a reduction of rental income. The carrying amount of the lease incentives is reflected in the fair value of investment property.

In addition to revenue generated directly from leases, which are accounted for in accordance with AASB 117 Leases, rent from investment properties includes non-lease revenue earned from tenants, predominantly in relation to recovery of asset operating costs (known as 'outgoings'). This outgoings revenue is within the scope of AASB 15 and therefore recognised and measured under that standard.

## 1 Summary of significant accounting policies (continued)

### d) Inventories

Where a property or asset is acquired for the purpose of undergoing redevelopment and subsequent resale or is in the process of production for such sale, it is treated as inventories. Inventories is stated at the lower of cost and net realisable value. Cost includes acquisition, development and holding costs such as borrowing costs, rates and taxes. Holding costs incurred after the completion of the development are expensed. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

Transfers are made from inventories to investment property when, and only when, there is a change in use evidenced by commencement of an operating lease to another party. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss and other comprehensive income in the period in which the transfer takes place.

### e) Property, plant and equipment

In-use property, plant and equipment is measured at cost, less accumulated depreciation and impairment. Initial costs includes directly attributable acquisition expenditure. Subsequent costs are capitalised if it is probable they will result in a flow of future economic benefits and they can be reliably measured. Other costs are expensed as incurred.

In use property, plant and equipment depreciation is calculated on a straight-line basis over the estimated useful life of the relevant asset. Solar energy generation systems are depreciated over 20 years.

Assets under construction represent initial costs relating to the purchase and installation of solar energy generation systems. Assets under construction are transferred to in-use property, plant and equipment once the asset is ready for commercial use and are not depreciated until transfer.

Government grants received for assets under construction including small-scale technology certificates (STCs) are recognised to offset the carrying value of the asset and depreciated over the useful life of the asset upon commercial operation.

### f) AASB 9 Financial Instruments

#### Initial recognition and measurement

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

Financial assets and financial liabilities are initially measured at fair value. On initial recognition, financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are recognised net of transaction costs directly attributable to the acquisition of these financial assets or financial liabilities. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss and other comprehensive income.

Given recent market volatility (including as a result of COVID-19), the Group reviewed the appropriateness of the inputs to its valuations of financial instruments including receivables, payables and derivative instruments. The impact of changes of inputs to the valuations has also been considered in terms of the classification of exposures in the fair value hierarchy and transfers within the fair value hierarchy.

## 1 Summary of significant accounting policies (continued)

### f) AASB 9 Financial Instruments (continued)

#### i) Financial assets

##### **Classification and subsequent recognition and measurement**

Subsequent to initial recognition the Group classifies its financial assets in the following measurement categories:

- Those to be measured at fair value (either through other comprehensive income, or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group does not carry financial assets classified as 'fair value through other comprehensive income', and currently does not apply hedge accounting.

##### **Financial assets recognised at amortised cost**

Trade and other receivables are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest and are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the statement of profit or loss and other comprehensive income.

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

Assets which do not meet the criteria for amortised cost or recognition at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in the statement of profit or loss and other comprehensive income and presented net within other gains / (losses) in the period in which it arises.

##### **Equity investments recognised at fair value through profit or loss**

Subsequent to initial recognition, the Group continues to measure all equity investments at fair value. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (e.g. for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis and pricing models to reflect the issuer's specific circumstances.

##### **Impairment**

For trade and lease receivables, the Group applies the simplified approach permitted by AASB 9, which requires lifetime expected credit losses to be recognised from initial recognition of the receivables.

The Group impairs a financial asset when there is information indicating the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

## 1 Summary of significant accounting policies (continued)

### f) AASB 9 Financial Instruments (continued)

#### ii) Financial liabilities and equity

##### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### Equity instruments

An equity instrument is any contract evidencing a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by the Group are recognised at the value of the proceeds received, net of direct issue costs.

##### Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at fair value through profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate which exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

##### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, its obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of profit or loss and other comprehensive income.

### g) Derivative financial instruments

The Group is exposed to changes in interest rates and enters into interest rate agreements to convert certain variable interest rate borrowings to fixed interest rates.

The agreements are entered into with the objective of hedging the risk of adverse interest rate fluctuations. While the Manager has determined these arrangements are economically effective, they have not satisfied the documentation, designation and effectiveness tests required by Australian Accounting Standards and therefore do not qualify for hedge accounting.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at each reporting date. Gains or losses arising from changes in fair value are recognised immediately in the statement of profit or loss and other comprehensive income. Fair value at reporting date is calculated to be the present value of the estimated future cash flows of these instruments. The two key variables used in the valuation are the forward price curve and discount rates. Each instrument is discounted at the market interest rate appropriate to the instrument.

Derivative financial instruments are classified as assets when their fair value is positive and as liabilities when their fair value is negative.

## 1 Summary of significant accounting policies (continued)

### h) Impairment of assets

At the end of each reporting period, the Group assesses whether there is any indication an asset may be impaired. The assessment includes considering external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset (being the higher of the asset's fair value less costs to sell or value in use) to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Economic uncertainties (including COVID-19) has had an adverse impact within Australia and globally, however it is not possible to accurately determine the future nature, extent or duration of the impact on the Group, material or otherwise, at the date of signing the financial statements. The directors of the Group have considered the potential impacts and do not believe, based on the information currently available, it has had a significant impact in the assessment of impairment at balance date.

### i) Provisions

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

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

### j) Cash and cash equivalents

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

### k) Revenue and other income

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

Investment property revenue is recognised on a straight-line basis over the period of the lease term so as to reflect a constant periodic rate of return on the net investment (refer to note 1c).

Revenue from inventory sales is recognised in the statement of profit or loss and other comprehensive income upon settlement and after all contractual duties are completed, in accordance with AASB 15.

### l) Trade and other payables

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



## 1 Summary of significant accounting policies (continued)

### m) Borrowing costs

Borrowing costs directly attributable 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 or sale.

Borrowing costs, except loan establishment costs, are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

Loan establishment costs are capitalised and amortised over the term of the facility to which they relate, or five years, whichever is shorter.

### n) Taxation

#### i) Income Tax

Under current Australian income tax legislation, CPDF is not liable to income tax provided its taxable income (including any realised capital gains) is fully distributed to unitholders each year. CPDF fully distributes its taxable income to unitholders.

Under current Australian income tax legislation, ELPT is liable to income tax as it is classified as a Public Trading Trust.

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

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable future taxable amounts will be available to utilise those temporary differences and losses.

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

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

**1 Summary of significant accounting policies (continued)****n) Taxation (continued)****ii) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the GST incurred on a purchase of goods and services is not recoverable from the Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the Tax Office is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the Tax Office, is classified as operating cash flows.

**o) Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

**p) Critical accounting estimates and judgements**

The Responsible Entity evaluates estimates and judgements 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 Group.

**Key Estimates**

The Group assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the Group which may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations, which incorporate various key assumptions.

**Key judgements**

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies which have the most significant effect on the amount recognised in the financial statements is described in the following notes:

- Note 9 - Inventory.
- Note 11 - Property, plant & equipment.
- Note 13 - Investment property.
- Note 19 - Derivative financial instruments.

**Economic uncertainty**

Judgement has been exercised in considering the impacts economic uncertainty (including COVID-19) has had, or may have, on the Group based on known information. This consideration extends to the nature of the services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently. The board continues to actively monitor the situation.

	Consolidated Group		CPDF	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
<b>2 Revenue and other income</b>	\$	\$	\$	\$
Other income comprises:				
Trust distributions	1,657	1,232,625	6,107,826	3,899,284
Other revenue	36,834	140,360	-	126,703
	<b>38,491</b>	<b>1,372,985</b>	<b>6,107,826</b>	<b>4,025,987</b>
<b>3 Profit</b>				
Net profit before income tax has been determined after:				
Financing costs				
Interest expense	10,285,737	5,022,806	6,954,890	3,378,125
Borrowing costs	489,654	484,496	430,389	484,495
	<b>10,775,391</b>	<b>5,507,302</b>	<b>7,385,279</b>	<b>3,862,620</b>
<b>4 Auditors' remuneration</b>				
Detail of remuneration of auditor is set out below:				
Auditing or reviewing the financial statements	75,638	71,010	70,238	60,500
	<b>75,638</b>	<b>71,010</b>	<b>70,238</b>	<b>60,500</b>
<b>5 Income tax expense/(benefit)</b>				
Income tax expense/(benefit)				
Current tax	3,616,761	1,775,234	-	-
Derecognition of previous deferred taxes	-	-	-	-
Deferred tax expense/(income)	106,233	(317,156)	-	-
Tax rate differential	-	-	-	-
Total income tax benefit	<b>3,722,994</b>	<b>1,458,078</b>	<b>-</b>	<b>-</b>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>				
Net profit before income tax	46,315,573	59,018,267	29,858,160	33,985,343
Tax at the statutory tax rate of 25.0% (2022: 25.0%)	11,578,893	14,754,567	7,464,540	8,496,336
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Capital gain on disposal of assets	(3,825,985)	-	(3,532,142)	-
Movement in market values	(621,151)	(8,272,413)	(258,850)	(5,087,630)
Tax rate differential	(3,525,037)	(5,024,076)	(3,673,548)	(3,408,706)
Sundry items	116,274	-	-	-
<b>Income tax expense</b>	<b>3,722,994</b>	<b>1,458,078</b>	<b>-</b>	<b>-</b>

	Consolidated Group		CPDF	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$	\$	\$	\$
<b>6 Cash and cash equivalents</b>				
Security deposits	-	3,700	-	3,700
Cash held in trust	<b>776,300</b>	2,862,473	<b>776,300</b>	1,079,691
Cash at bank	<b>38,489,243</b>	6,598,340	<b>37,661,136</b>	5,136,998
	<b><u>39,265,543</u></b>	<u>9,464,513</u>	<b><u>38,437,436</u></b>	<u>6,220,389</u>

**7 Trade and other receivables**

Current				
Trade and other debtors	<b>500,233</b>	1,220,689	<b>344,272</b>	665,655
Less provision for doubtful debts	<b>(125,244)</b>	-	<b>(125,244)</b>	-
GST receivable	<b>896,841</b>	594,833	<b>48,010</b>	75,935
Sundry Debtors (i)	<b>10,000,000</b>	-	<b>10,000,000</b>	-
Total current	<b><u>11,271,830</u></b>	<u>1,815,522</u>	<b><u>10,267,038</u></b>	<u>741,590</u>
Non-current				
Loan to ELPT and subsidiaries (ii)	-	-	<b>298,893,628</b>	274,373,571
Total non-current	-	-	<b><u>298,893,628</u></b>	<u>274,373,571</u>
Total trade and other receivables	<b><u>11,271,830</u></b>	<u>1,815,522</u>	<b><u>309,160,666</u></b>	<u>275,115,161</u>

(i) As part of the sale of Zone Underwood this amount was withheld by the purchaser and will be released pending achievement of specific milestones during the reinstatement of the building impacted by the fire.

(ii) Refer Note 26(e)(ii) for further information on loans to subsidiaries.

The movement in provision for doubtful debts during the period was as follows:

Opening balance	-	-	-	-
Provision for doubtful receivables	<b>243,422</b>	1,411	<b>131,409</b>	-
Receivables written off during the year	<b>(118,178)</b>	(1,411)	<b>(6,165)</b>	-
Reversals of amounts provided	-	-	-	-
Closing balance	<b><u>125,244</u></b>	<u>-</u>	<b><u>125,244</u></b>	<u>-</u>

**8 Financial assets**

Non-current				
Financial assets at fair value through profit or loss				
Units in subsidiaries	-	-	<b>10,163,620</b>	10,163,620
	<u>-</u>	<u>-</u>	<b><u>10,163,620</u></b>	<u>10,163,620</u>

	Consolidated Group		CPDF	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$	\$	\$	\$
<b>9 Inventory</b>				
Current				
Land held for resale - at cost	21,638,648	276,621	-	-
Land under development - at cost	26,594,153	6,541,299	-	-
	<u>48,232,801</u>	<u>6,817,920</u>	<u>-</u>	<u>-</u>
Non-Current				
Land under development - at cost	133,044,844	126,367,993	629,014	629,014
	<u>133,044,844</u>	<u>126,367,993</u>	<u>629,014</u>	<u>629,014</u>
Total inventory	<u>181,277,645</u>	<u>133,185,913</u>	<u>629,014</u>	<u>629,014</u>

The total carrying amount of inventory pledged as security for liabilities is \$124,370,346 (June 2022: \$113,892,614).

#### 10 Deferred tax assets

Deferred tax assets comprises temporary differences attributable to:

Capitalised costs	4,302	6,454	-	-
Government grants	197,519	173,514	-	-
Inventory	157,187	600,252	-	-
Tax losses	1,178,821	728,491	-	-
Total deferred tax assets	<u>1,537,829</u>	<u>1,508,711</u>	<u>-</u>	<u>-</u>

#### 11 Property, plant & equipment

This section comprises in use property, plant and equipment and assets under construction.

##### In use property, plant & equipment

Opening balance	1,739,693	119,790	-	-
Additions	201,522	1,907,042	-	-
Government grants received/accrued	(62,498)	(639,423)	-	-
Depreciation expense	(93,679)	(68,131)	-	-
Transfer to in use property, plant and equipment	25,815	420,415	-	-
Closing balance	<u>1,810,853</u>	<u>1,739,693</u>	<u>-</u>	<u>-</u>

##### Assets under construction

Opening balance	73,539	420,415	-	-
Additions	461,541	73,539	-	-
Government grants received/accrued	-	-	-	-
Impairment losses recognised/reversed	-	-	-	-
Transfer to in use property, plant and equipment	(25,815)	(420,415)	-	-
Closing balance	<u>509,265</u>	<u>73,539</u>	<u>-</u>	<u>-</u>

##### Total

Opening balance	1,813,232	540,205	-	-
Additions	663,063	1,980,581	-	-
Government grants received/accrued	(62,498)	(639,423)	-	-
Depreciation expense	(93,679)	(68,131)	-	-
Closing balance	<u>2,320,118</u>	<u>1,813,232</u>	<u>-</u>	<u>-</u>

	Consolidated Group		CPDF	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$	\$	\$	\$
<b>11 Property, plant &amp; equipment (continued)</b>				
Cost				
Cost (net of government grants)	<b>2,483,444</b>	1,881,363	-	-
Accumulated depreciation	<b>(163,326)</b>	(68,131)	-	-
Net book value	<b>2,320,118</b>	1,813,232	-	-

The in-use property, plant and equipment consists of 15 solar energy generation systems in Queensland and New South Wales with nameplate capacity of 2.2 MW. Assets under construction includes capitalised initial costs in relation to future potential solar generation projects.

**12 Other assets**

Current				
Prepayments	<b>1,485,940</b>	1,264,761	<b>774,099</b>	720,492
Other assets	<b>624,295</b>	1,124,404	<b>47,252</b>	118,301
	<b>2,110,235</b>	2,389,165	<b>821,351</b>	838,793
Non-current				
Prepayments	<b>151,291</b>	374,006	<b>151,291</b>	374,006
	<b>151,291</b>	374,006	<b>151,291</b>	374,006
Total other assets	<b>2,261,526</b>	2,763,171	<b>972,642</b>	1,212,799



	Consolidated Group		CPDF	
	30 June 2023 \$	30 June 2022 \$	30 June 2023 \$	30 June 2022 \$
<b>13 Investment property</b>				
<b>Investment property (at fair value)</b>				
<u>Commercial office</u>				
100 Blundell Boulevard, Tweed Heads	10,000,000	10,000,000	10,000,000	10,000,000
29 Molesworth Street, Lismore	20,200,000	20,200,000	20,200,000	20,200,000
The Rocket, Robina	83,900,000	83,900,000	83,900,000	83,900,000
183 Varsity Parade, Varsity Lakes	11,350,000	12,250,000	11,350,000	12,250,000
201 Leichhardt Street, Spring Hill	12,600,000	14,800,000	12,600,000	14,800,000
9 Hercules Street, Hamilton	11,450,000	10,200,000	11,450,000	10,200,000
188 Macquarie Street, Dubbo	9,900,000	10,700,000	-	-
65 Park Road, Milton	4,325,000	5,950,000	-	-
The Base, 197 Robina Town Centre Drive, Robina (i)	5,364,311	5,126,352	-	-
27-29 Grant Street, Port Macquarie	15,700,000	16,000,000	15,700,000	16,000,000
<u>Retail</u>				
Yamba Fair	41,600,000	41,600,000	41,600,000	41,600,000
Yamba residential property (ii)	475,000	475,000	475,000	475,000
Byron Bay Fair	15,500,000	14,000,000	15,500,000	14,000,000
Yamba Fuel Station	5,650,000	5,650,000	5,650,000	5,650,000
Bell Central, Mudgeeraba	17,600,000	16,500,000	17,600,000	16,500,000
Zone, Underwood	-	36,500,000	-	36,500,000
Epiq Marketplace, Lennox Head	39,080,000	39,080,000	39,080,000	39,080,000
Logan Village Marketplace	14,600,000	17,250,000	-	-
Ormeau Marketplace	-	31,500,000	-	-
Northshore Marketplace, Townsville	23,250,000	23,250,000	-	-
<u>Childcare &amp; Medical</u>				
Tamar Village, Ballina	8,800,000	8,800,000	8,800,000	8,800,000
Epiq Childcare, Lennox Head	4,750,000	3,925,000	4,750,000	3,925,000
East Tamworth Medical Centre	15,600,000	14,500,000	15,600,000	14,500,000
Milton Childcare	9,450,000	8,435,000	-	-
Bahrs Scrub Childcare	6,800,000	5,600,000	-	-
Ripley Childcare (iii)	6,018,201	2,452,860	-	-
Salisbury Childcare (iii)	3,477,091	2,395,196	-	-
Rochedale South Childcare (iii)	1,737,014	1,681,276	-	-
Lota Childcare (iii)	1,754,831	-	-	-
Rangeville Childcare (iii)	3,308,935	-	-	-
Delahey Childcare (iii)	4,633,360	1,936,688	-	-
Mount Evelyn Childcare (iii)	2,776,551	-	-	-
Bellbowrie Childcare (iii)	1,587,056	-	-	-
<u>Logistics/Distribution/Industrial/Other</u>				
45 Alexandra Place, Murarrie	14,900,000	14,900,000	14,900,000	14,900,000
48 Bell-Are Avenue, Northgate	12,400,000	11,600,000	12,400,000	11,600,000
42 Mcroyle Street, Wacol	10,000,000	7,850,000	-	-
146 Canberra Street, Hemmant	-	8,400,000	-	-
81 Stradbroke Street, Heathwood	9,400,000	7,400,000	-	-
31 Paringa Rd, Murarrie	20,200,000	18,200,000	-	-
185 Queensport Road, Murarrie	10,350,000	10,350,000	-	-
18 Macgregor Place, Richlands	17,300,000	9,751,319	-	-
96 Tile Street, Wacol	7,300,000	7,300,000	-	-
Arndilly, 662 Tullymorgan Road, Lawrence	6,000,000	6,000,000	-	-
	<b>521,087,350</b>	<b>566,408,691</b>	<b>341,555,000</b>	<b>374,880,000</b>

	Consolidated Group		CPDF	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$	\$	\$	\$
<b>13 Investment property (continued)</b>				
<i>(i) This property is vacant land and held for future development.</i>				
<i>(ii) This property adjoins Yamba Fair and is held for future development of the centre.</i>				
<i>(iii) These properties are currently under construction for future use as investment property. The amounts quoted include all costs of acquisition and subsequent development to date.</i>				
<b>Movement in investment properties</b>				
Opening balance	566,408,691	436,313,687	374,880,000	289,710,000
Additions at cost				
Acquisition price	5,122,467	81,335,147	9,574	58,555,956
Transaction costs	454,205	7,384,888	-	5,338,202
Improvements	22,770,984	12,838,578	2,756,720	6,185,668
Disposals	(77,465,043)	(121,720)	(37,565,043)	(121,720)
Net fair value adjustment	1,856,056	26,003,167	406,858	13,264,033
Transfers from inventory	-	-	-	-
Lease incentives and leasing fees deferred	2,242,667	2,530,245	1,596,899	2,217,193
Amortisation of lease incentives and leasing fees	(1,108,174)	(796,304)	(951,232)	(744,751)
Movement in straight-lining rental income asset	805,497	921,003	421,224	475,419
Closing balance	<u>521,087,350</u>	<u>566,408,691</u>	<u>341,555,000</u>	<u>374,880,000</u>
<b>Future minimum lease receivables</b>				
Future minimum lease payments receivable from non-cancellable operating leases:				
Within one year	29,425,629	32,043,744	21,214,854	21,722,187
Later than one year but not later than five years	72,159,792	87,089,863	50,410,431	60,430,440
Later than five years	49,258,702	70,737,910	24,653,502	32,326,349
	<u>150,844,123</u>	<u>189,871,517</u>	<u>96,278,787</u>	<u>114,478,976</u>

The Group, as lessor, typically enters into operating leases with tenants for periods of 3 years to 10 years with option periods. The lease agreements provide for either rental increases as specified in the agreement or CPI increases.

### Fair value measurement, valuation techniques and inputs

Given the uncertain economic conditions (including as a result of the COVID-19 pandemic), there is uncertainty surrounding the potential impact on future cash flows and on the valuation of investment property. Key assumptions have been made in the context of uncertainty regarding the ultimate impact of COVID-19, social and geo-political events, deteriorating investment market conditions and the increasing cost of debt.

The adopted valuations (both Director and independent) for investment properties are a combination of the valuations determined using the Discounted Cash Flow method and the Income Capitalisation method supported by recent market sales evidence.

The valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness, the allocation of maintenance and insurance responsibilities between the lessor and lessee and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases all notices and, where appropriate, counter notices have been served validly and within the appropriate time.

### 13 Investment property (continued)

The most significant unobservable input used in the above valuation techniques and its relationship with fair value measurement is the capitalisation rate. A 0.25% change in the capitalisation rate would have the affect of changing investment property valuations by \$23,520,000.

Term and definition	Input Range	Fair Value Increase in input	Sensitivity Decrease in input
<p><u>Capitalisation rate</u> The rate at which net market income is capitalised to determine the value of a property. The rate is determined having regard to market evidence and the prior external valuation.</p>	4.50% - 9.50%	Decrease	Increase
<p><u>Discount rate</u> The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. The rate is determined having regard to market evidence and the prior external valuation.</p>	5.50% - 9.75%	Decrease	Increase
<p><u>Net market rent</u> The estimated amount for which a property or space within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. In a net rent lease agreement, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).</p>	\$21/m <sup>2</sup> - \$1,497/m <sup>2</sup>	Increase	Decrease
<p><u>Weighted average lease expiry ("WALE")</u> WALE is used to measure the overall tenancy risk of a particular property to assess the likelihood of a property being vacated. WALE of a property is measured across all tenants' remaining lease terms (in years) and is weighted with the tenants' income against total combined income.</p>	0.3yrs - 20.1yrs	Increase	Decrease
<p><u>Occupancy</u> Occupancy is used to measure the proportion of the lettable space of a property which is occupied by tenants under current lease contracts and therefore how much rent is received from the property as a percentage of total rent possible if the property was fully occupied.</p>	25% - 100%	Increase	Decrease

All the significant inputs noted above are not observable market data, hence investment property valuations are considered Level 3 fair value measurements as detailed in note 27(f).

	Consolidated Group		CPDF	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$	\$	\$	\$
<b>14 Trade and other payables</b>				
Current				
Other creditors	<b>5,766,409</b>	3,931,410	<b>1,808,064</b>	1,463,187
Distributions to unitholders	<b>2,776,295</b>	2,202,504	<b>2,776,295</b>	2,202,504
	<b>8,542,704</b>	6,133,914	<b>4,584,359</b>	3,665,691
Included in the above are amounts due to related parties:				
Other creditors at an arm's length basis	<b>973,168</b>	1,545,303	-	-
	<b>973,168</b>	1,545,303	-	-
<b>15 Income tax</b>				
Current				
Provision for income tax	-	20,609	-	-
	-	20,609	-	-
<b>16 Other liabilities</b>				
Current				
Rent received in advance	<b>2,502,963</b>	2,958,099	<b>1,744,632</b>	1,907,332
Units to be issued	<b>532,134</b>	4,563,994	<b>532,134</b>	4,563,994
Provision for rental guarantees	<b>357,783</b>	-	<b>357,783</b>	-
Other liabilities	<b>1,058,370</b>	561,871	<b>834,241</b>	460,950
	<b>4,451,250</b>	8,083,964	<b>3,468,790</b>	6,932,276
Non-Current				
Deferred settlement liability (i)	<b>2,000,000</b>	-	-	-
	<b>2,000,000</b>	-	-	-
	<b>6,451,250</b>	8,083,964	<b>3,468,790</b>	6,932,276

(i) As part of the Group's purchase of 36 Bark Hut Road, Woolgoolga NSW, \$2,000,000 of the \$5,000,000 purchase price is a deferred payment for 4 years.

The movement in provision for rental guarantees during the period was as follows:

Opening balance	-	-	-	-
Increase in provision for rental guarantees	<b>858,991</b>	-	<b>858,991</b>	-
Rental guarantees paid during the period	<b>(501,208)</b>	-	<b>(501,208)</b>	-
Reversals of amounts provided	-	-	-	-
Closing balance	<b>357,783</b>	-	<b>357,783</b>	-

As part of the sale of the Group's Zone Underwood property in December 2022, the Group provided a rental guarantee to the purchaser for the period of reinstatement up to a maximum of 12 months covering the building impacted by the fire. Additionally it provided a 1 year rental guarantee over the vacant shop within the property at the time of sale.

	Consolidated Group		CPDF	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$	\$	\$	\$
<b>17 Deferred tax liabilities</b>				
Deferred tax liabilities comprises temporary differences attributable to:				
Prepayments	-	-	-	-
Lease receivable debtor	-	-	-	-
Inventory	-	-	-	-
Plant and equipment	653,804	635,094	-	-
Financial assets	116,274	-	-	-
Total deferred tax liabilities	<u>770,078</u>	<u>635,094</u>	<u>-</u>	<u>-</u>

**18 Financial liabilities**
**Current**

Loans - financial institutions

19,824,853	-	-	-
<u>19,824,853</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Non-current**

Loans - financial institutions

257,504,700	273,429,772	237,504,500	239,429,671
<u>257,504,700</u>	<u>273,429,772</u>	<u>237,504,500</u>	<u>239,429,671</u>
<u>277,329,553</u>	<u>273,429,772</u>	<u>237,504,500</u>	<u>239,429,671</u>

Details of the Group's financial liabilities at balance date are as follows:

Facility	Maturity Date	Facility	Utilised	Facility	Utilised
		30 June 2023	30 June 2023	30 June 2022	30 June 2022
		\$	\$	\$	\$
Secured loan facility (i)	May-24	32,945,000	19,824,853	32,945,000	14,000,000
Secured loan facility (i)	Aug-24	2,255,000	2,255,000	2,255,000	2,255,000
Secured loan facility (i)	Aug-24	45,000,000	20,000,200	45,000,000	20,000,101
Secured loan facility (i)	May-25	8,000,000	7,825,000	24,750,000	24,750,000
Secured loan facility (i)	Sep-25	19,800,000	19,800,000	19,800,000	19,800,000
Secured bilateral loan facilities (ii)	Aug-24	50,000,000	35,000,000	50,000,000	20,000,000
Secured bilateral loan facilities (ii)	Sep-24	46,602,000	36,602,000	46,602,000	36,602,171
Secured bilateral loan facilities (ii)	Jan-25	47,850,000	47,850,000	47,850,000	47,850,000
Secured bilateral loan facilities (ii)	Sep-25	46,400,000	46,400,000	46,400,000	46,400,000
Secured bilateral loan facilities (ii)	Sep-25	26,922,500	26,922,500	26,922,500	26,922,500
Secured bilateral loan facilities (ii)	May-27	14,850,000	14,850,000	14,850,000	14,850,000
Total facilities		<u>340,624,500</u>	<u>277,329,553</u>	<u>357,374,500</u>	<u>273,429,772</u>

The Group had \$63,294,947 (2022: \$83,944,728) in unused finance facilities at balance date.

(i) The secured loan facilities are secured by a first registered mortgage over, and a General Security Agreement limited to, a specific property or group of properties.

(ii) Secured bilateral loan facilities are held with multiple providers. All providers are contracted under a Common Terms Deed and are secured pari passu by first registered mortgages over a specific pool of investment properties held by the Group. All principal amounts outstanding are due at the expiry of each facility. Each provider individually contracts its commitment amount, expiry date (see table above for more detail) and fee structure. The Group is able to repay and refinance individual providers.

	Consolidated Group		CPDF	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
<b>19 Derivative financial instruments</b>	\$	\$	\$	\$
<b>Assets</b>				
Non-current				
Interest rate contracts – at fair value	<b>11,978,432</b>	9,241,145	<b>11,513,338</b>	9,241,145
	<b>11,978,432</b>	<b>9,241,145</b>	<b>11,513,338</b>	<b>9,241,145</b>

The Group manages its cash flow interest-rate risk by using floating-to-fixed interest rate derivatives. Such interest rate derivatives have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long term borrowings at floating rates.

Information regarding the Group's exposure to interest rates is provided in note 27(d). Details of principal amounts, expiry dates and interest ranges of interest rate derivative (hedging) contracts are set out in note 27(d).

#### Fair value measurement

The fair value of interest rate swaps is the estimated amount which would be received or paid to transfer the interest rate contract at the reporting date, taking into account current interest rates and the current creditworthiness of contract counterparties.

The fair values of derivative financial instruments are determined using generally accepted pricing models which discount estimated future cash flows based on the terms and maturity of each contract and current market interest rates and/or foreign currency rates, adjusted for specific features of the instruments.

Derivative financial instrument valuations are considered Level 2 fair value measurements as detailed in note 27(f).

#### 20 Franking credits

Franking credits available for subsequent years based on a tax rate of 25%	<b>147,460</b>	546,873	-	-
	<b>147,460</b>	<b>546,873</b>	<b>-</b>	<b>-</b>

The above amounts represent the balance of the franking account as at the end of the Period, adjusted for:  
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date.

#### 21 Segment reporting

The Group operates as one segment and in one geographical location as a property investor throughout Australia.

#### 22 Commitments for capital expenditure

As at 30 June 2023 the Group had the following commitments contracted for which costs have not been recognised as liabilities:

Development costs on inventories	<b>5,973,583</b>	3,097,047	-	-
Capital Expenditure on investment property	<b>377,501</b>	1,667,786	-	1,667,786
Plant and equipment	<b>133,892</b>	-	-	-
Development costs for future investment property	<b>23,833,106</b>	19,992,432	-	-
Acquisition of 42 Cumberland Road, Forrestfield	<b>1,300,000</b>	-	-	-
Acquisition of 290 North Boambee Road	-	9,450,000	-	-
	<b>31,618,082</b>	<b>34,207,265</b>	<b>-</b>	<b>1,667,786</b>

All the above amounts are payable within 12 months.



## 23 Contingencies

The Group has given bank guarantees as at 30 June 2023 of \$205,466 (June 2022: Nil) to various councils and Essential Energy in respect to maintenance and construction obligations at its development properties.

Additionally, as part of the sale of the Group's Zone Underwood property in December 2022, the Group provided a rental guarantee to the purchaser covering the period of reinstatement up to a maximum of 12 months for the building impacted by the fire. Amounts have been included in the financial statements for the expected rent guarantee period which is shorter than the maximum 12 month period. Should the rebuilding works take longer than expected the amount provisioned may not be sufficient.

Further, as part of the sale, the Group has entered into a development deed to reinstate the building impacted by fire. Although the Group's insurers have accepted the Group's claim and will cover the cost of the rebuild, there is a possibility of future variations to the works which the insurer will not fund and the Group will have to fund itself.

## 24 Notes to the statement of cash flows

	Consolidated Group		CPDF	
	30 June 2023 \$	30 June 2022 \$	30 June 2023 \$	30 June 2022 \$
<b>a) Cash and cash equivalents</b>				
Cash at the end of the Period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:				
Security deposits	-	3,700	-	3,700
Cash held in trust	776,300	2,862,473	776,300	1,079,691
Cash at bank	38,489,243	6,598,340	37,661,136	5,136,998
	<u>39,265,543</u>	<u>9,464,513</u>	<u>38,437,436</u>	<u>6,220,389</u>
<b>b) Reconciliation of net profit to net cash flows from operating activities</b>				
Total comprehensive profit attributable to unitholders	42,592,579	57,560,189	29,858,160	33,985,343
<b>Non-cash items:</b>				
Profit (loss) on sale of non-current assets	(15,303,938)	-	(14,128,567)	-
Fair value adjustments to investment properties	(1,856,056)	(26,003,167)	(406,858)	(13,264,033)
Fair value adjustments to financial assets	-	1,040,190	-	1,040,190
Transfers to investment property from inventory	-	-	-	-
Straightlining of rental income	(805,498)	(921,003)	(421,223)	(475,418)
Amortisation of lease incentives and leasing fees	1,108,174	796,304	951,232	744,751
Depreciation	93,679	68,131	-	-
<b>Changes in assets and liabilities:</b>				
Decrease (increase) in current receivables	(9,154,300)	(670,346)	(9,553,373)	(441,081)
Decrease (increase) in inventories	(48,091,732)	(85,282,702)	-	-
Decrease (increase) in tax assets	(83,623)	(1,345,120)	-	-
Decrease (increase) in other assets	501,645	(1,015,680)	240,157	142,588
Increase (decrease) in sundry creditors	1,834,999	2,487,656	344,877	628,388
Increase (decrease) in other liabilities	2,496,499	93,029	373,291	133,304
Increase (decrease) in GST payable	(302,008)	451,146	27,925	(177,802)
Increase (decrease) in provision for income tax	(20,609)	(14,454)	-	-
Increase (decrease) in deferred tax liabilities	134,984	485,268	-	-
Increase (decrease) in income in advance	(455,136)	1,125,705	(162,700)	1,254,476
Increase (decrease) in derivative financial instruments	(2,737,287)	(8,316,455)	(2,272,193)	(8,316,455)
<b>Net cash provided by (used in) operating activities</b>	<u>(30,047,628)</u>	<u>(59,461,309)</u>	<u>4,850,728</u>	<u>15,254,251</u>

**25 Events subsequent to reporting date**

Since the Period end, economic uncertainty has continued to evolve with potential impacts on specific areas of judgement applied in preparing these financial statements. The Group has continued to re-evaluate the potential impacts on significant inputs and key areas of judgement as outlined in Note 1. Based on these evaluations, the Group has determined there are no material events since Period end which would give rise to an adjustment.

On 1 July 2023 units totalling 492,822 were issued in relation to funds received during June 2023 pursuant to the PDS and the DRP Plan, and is shown as a current liability in the financial statements.

No matter or circumstance, other than as mentioned above, has arisen since the end of the Period which has significantly affected or may significantly affect:

- i) the operations of the Group;
- ii) the results of those operations; or
- iii) the state of affairs of the Group in subsequent financial years.

**26 Related party disclosures**
**a) Responsible Entity**

Both CPDF and ELPT are required to have an incorporated responsible entity to manage their activities. The Responsible Entity of both trusts is Clarence Property Corporation Limited.

**b) Key management personnel**

The following were key management personnel of the Responsible Entity from 1 July 2022 to 30 June 2023, unless otherwise stated.

<u>Key management person</u>	<u>Position</u>
James Dougherty	Chairman – Non-Executive
Peter Fahey	Managing Director - Executive
Darrell Irwin	Director – Executive
Tony Tippett	Director – Non-Executive
Andrew Carlton	Director – Non-Executive

**c) Key management personnel compensation**

No direct compensation is paid to any of the key management personnel or employees of the Responsible Entity by the Group.

**d) Unit holdings**

The Responsible Entity and its key management personnel (both personally and through their related entities) held units in the Group as follows:

	Balance 1/07/2021	Net Purchases / (Sales)	Balance 30/06/2022	Net Purchases / (Sales)	Balance 30/06/2023
James Dougherty	751,781	200,000	<b>951,781</b>	<b>30,000</b>	<b>981,781</b>
Peter Fahey	902,888	683,581	<b>1,586,469</b>	<b>475,607</b>	<b>2,062,076</b>
Darrell Irwin	683,787	662,808	<b>1,346,595</b>	<b>172,568</b>	<b>1,519,163</b>
Tony Tippett	3,267,173	1,000,000	<b>4,267,173</b>	<b>46,750</b>	<b>4,313,923</b>
Andrew Carlton	135,979	3,204	<b>139,183</b>	<b>13,865</b>	<b>153,048</b>
<b>Total</b>	<b>5,741,608</b>	<b>2,549,593</b>	<b>8,291,201</b>	<b>738,790</b>	<b>9,029,991</b>

	Consolidated Group		CPDF	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
<b>26 Related party disclosures (continued)</b>	\$	\$	\$	\$
<b>e) Transactions</b>				
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated:				
<b>(i) Paid/payable to:</b>				
<b>The Responsible Entity</b>				
Paid/payable to the Responsible Entity:				
Fund management fees	5,933,851	4,559,693	4,503,521	3,714,480
Acquisition fees	1,098,975	4,021,107	-	1,132,500
Disposal fees	2,345,940	127,000	1,016,000	-
Development & project management fees	2,052,827	722,726	-	-
Property management fees	47,741	1,935	-	-
Accountancy fees	92,258	12,000	-	-
Development sales fees	834,490	213,855	-	-
Property development performance fees	3,450,459	1,545,303	-	-
Debt management fees	77,732	236,100	-	-
Reimbursable expenses	108,341	55,102	83,332	35,888
	<u>16,042,614</u>	<u>11,494,822</u>	<u>5,602,853</u>	<u>4,882,868</u>
Received/receivable from the Responsible Entity:				
Rental of business premises	197,441	82,196	197,441	82,196
	<u>197,441</u>	<u>82,196</u>	<u>197,441</u>	<u>82,196</u>
<b>Clarence Property Works Pty Ltd</b>				
Property management, rent review & leasing fees	3,353,700	3,363,086	2,395,424	2,542,803
<b>Robina Quays Unit Trust</b>				
Distribution	-	1,232,625	-	1,232,625

**(ii) Loans**
**Loan to Epiq Lennox Property Trust**

Clarence Property Diversified Fund has provided a loan facility of \$155,000,000 to Epiq Lennox Property Trust to assist with the purchase and development of its 'Epiq Lennox' development project and to on-lend funds to its subsidiaries for development purposes. The balance owing at reporting date was \$150,296,778. The facility has a maturity date of 30 June 2027. No interest is charged on the facility.

**26 Related party disclosures (continued)**
**(ii) Loans (continued)**
**Loans to subsidiaries**

Clarence Property Diversified Fund has provided loan facilities to its subsidiaries to assist with the purchase and operation of investment properties they own. No interest is charged on these facilities. Details of these loans are:

	<b>Maturity Date</b>	<b>Facility 30 June 2023 \$</b>	<b>Utilised 30 June 2023 \$</b>	<b>Facility 30 June 2022 \$</b>	<b>Utilised 30 June 2022 \$</b>
Wacol Industrial Trust	Jun-25	16,000,000	7,819,698	16,000,000	14,988,191
Logan Village Shopping Centre Trust	Jun-25	17,500,000	16,390,907	17,500,000	16,790,438
Ormeau Shopping Centre Trust	Jun-25	31,000,000	-	31,000,000	29,357,273
WPT Sub-Trust 3	Jun-25	20,000,000	15,759,584	20,000,000	16,045,845
WPT Sub-Trust 4	Jun-25	27,500,000	18,144,933	27,500,000	18,741,589
North Shore Townsville Property Trust	Jun-25	20,000,000	14,807,267	20,000,000	14,989,239
Macquarie Commercial Property Trust	Jun-25	500,000	-	500,000	113,895
WPT Sub-Trust 6	Jun-25	22,500,000	20,576,834	22,500,000	20,746,564
WPT Sub-Trust 7	Jun-25	25,000,000	24,036,283	22,500,000	16,603,834
WPT Sub-Trust 8	Jun-25	17,500,000	9,595,638	17,500,000	4,890,786
WPT Sub-Trust 9	Jun-25	28,000,000	6,874,783	28,000,000	1,695,698
WPT Sub-Trust 10	Jun-25	45,000,000	5,544,478	45,000,000	5,754,603
CPDF Sub-Trust 11	Jun-25	16,000,000	7,439,605	16,000,000	1,944,186
CPDF Sub-Trust 13	Jun-25	7,500,000	1,606,840	-	-
		<b>294,000,000</b>	<b>148,596,850</b>	<b>284,000,000</b>	<b>162,662,141</b>

## 27 Financial instruments

### a) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk (interest rate risk & equity price risk).

#### i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterpart to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from tenants and investment in securities.

#### Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each purchaser. The Group has a diverse range of tenants and therefore there is no significant concentration of credit risk, either by nature of industry or geographically.

#### Investment in securities

The Group limits its exposure to credit risk by only investing in liquid securities or securities which have fixed term durations.

#### ii) Liquidity risk

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

The Group has liquidity risk management policies, which assist in monitoring cash flow requirements. Typically the Group ensures it has sufficient cash on demand to meet expected operational expenses and commitments for a period of 90 days, including the servicing of financial obligations. Cash on demand is defined as cash held or unutilised borrowing facilities.

The Group also ensures that, as far as practicable, sufficient borrowing facilities are approved for a minimum of 3 years.

#### iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices, will affect the Group's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return. The Group enters into financial liabilities in order to manage market risks.

#### Interest rate risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rate. The Group has a guideline that at least 50% of its exposure to changes in interest rates on borrowings is hedged through entering into fixed rate bills or interest rate swaps. Additionally the Group may hold interest rate caps to provide further protection should extreme unforeseen circumstances arise.

#### Equity securities price risk

Equity securities price risk is the movement in the quoted price of stocks which is influenced by a range of factors, most of which are outside the control of the Group. The Group only invests in securities which are primarily backed by real property assets.



**27 Financial instruments (continued)**
**b) Credit risk**

The carrying amount of the Group's financial assets represents the maximum credit exposure. The maximum exposure to credit risk at reporting date was:

	Consolidated Group		CPDF	
	30 June 2023 \$	30 June 2022 \$	30 June 2023 \$	30 June 2022 \$
Cash and cash equivalents	39,265,543	9,464,513	38,437,436	6,220,389
Trade receivables	10,500,233	1,220,688	10,344,272	665,655
Loan receivables	-	-	298,893,629	274,373,571
Construction bonds	577,043	492,291	-	6,271
Financial assets at fair value through profit or loss	-	-	10,163,620	10,163,620
	<u>50,342,819</u>	<u>11,177,492</u>	<u>357,838,957</u>	<u>291,429,506</u>

**c) Liquidity risk**

The following are the contractual maturities of financial liabilities:

30 June 2023	Carrying amount \$	1 year or less \$	1-3 years \$	3 -5 years \$	More than 5 years \$
<b>Non-derivatives</b>					
Secured bank loans	277,329,553	19,824,853	242,654,700	14,850,000	-
Trade & other payables	8,542,704	8,542,704	-	-	-
Other liabilities	6,451,250	4,451,250	-	2,000,000	-
	<u>292,323,507</u>	<u>32,818,807</u>	<u>242,654,700</u>	<u>16,850,000</u>	<u>-</u>
<b>Derivatives</b>					
Net settled interest rate derivatives	(11,978,432)	(4,340,440)	(6,695,925)	(942,067)	-
	<u>(11,978,432)</u>	<u>(4,340,440)</u>	<u>(6,695,925)</u>	<u>(942,067)</u>	<u>-</u>

The Group entered into interest rate derivative instruments during the period which at balance date had a fair value of \$11,978,432, as presented in non-current assets in the Statement of Financial Position. Refer Note 27(d) for further details.

**30 June 2022**

<b>Non-derivatives</b>					
Secured bank loans	273,429,772	-	227,029,772	46,400,000	-
Trade & other payables	6,133,914	6,133,914	-	-	-
Other liabilities	8,083,964	8,083,964	-	-	-
	<u>287,647,650</u>	<u>14,217,878</u>	<u>227,029,772</u>	<u>46,400,000</u>	<u>-</u>
<b>Derivatives</b>					
Net settled interest rate swaps	(9,241,145)	(1,194,808)	(4,931,699)	(2,846,001)	(268,637)
	<u>(9,241,145)</u>	<u>(1,194,808)</u>	<u>(4,931,699)</u>	<u>(2,846,001)</u>	<u>(268,637)</u>

**27 Financial instruments (continued)**
**d) Interest rate risk**

At reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	Weighted average effective interest rate		Consolidated Group	
	30 June 2023 %	30 June 2022 %	30 June 2023 \$	30 June 2022 \$
<b>Variable rate financial assets</b>				
Cash at bank	3.85	0.60	38,489,243	6,598,340
			<u>38,489,243</u>	<u>6,598,340</u>
<b>Variable rate financial liabilities</b>				
Interest bearing liabilities	4.97	3.49	277,329,553	273,429,772
			<u>277,329,553</u>	<u>273,429,772</u>

In addition the Group holds the following treasury instruments:

Type	BBSY Rate	Amount \$	Start Date	Expiry Date
Cap	1.00%	10,000,000	Mar-21	Mar-26
Fixed Rate Swap	0.50%	20,000,000	Jun-21	Mar-26
Cap and Collar	1.00% - 0.05%	30,000,000	Dec-22	Dec-25
Fixed Rate Swap	1.70%	10,000,000	Mar-23	Mar-26
Cap	1.00%	10,000,000	Jun-24	Jun-26
Cap and Collar	1.50% - 0.75%	10,000,000	Dec-23	Jun-27
Cap and Collar	1.50% - 0.75%	10,000,000	Dec-23	Jun-27
Fixed Rate Swap	1.00%	10,000,000	Jun-24	Jun-28
Fixed Rate Swap	1.00%	20,000,000	May-23	May-25
Fixed Rate Swap	2.25%	19,800,000	Apr-23	Sep-25
Fixed Rate Swap	2.50%	20,000,000	Mar-23	Aug-24
		<b>169,800,000</b>		

**Sensitivity analysis**

Interest rate risk represents the effect of a change in interest rates applied to the interest rate risk exposures at reporting date, including the estimated change in the value of derivative financial instruments which are carried at fair value. Cash and floating rate debt at reporting date are multiplied by the reasonably possible change in interest rates to determine the effect on profit for the financial year. The Group's derivative financial instruments whose carrying values are affected by changes in interest rates are interest rate Swaps, Caps and Cap & Collars. In calculating the change in value of interest rate contracts, a change in interest rates at reporting date is assumed to result in a parallel shift in the forward yield curve. A change in interest rates of up to 100 basis points (1%) is considered to be reasonably possible in the current economic environment.

An increase of 100 basis points in interest rates at the reporting date would have decreased net profit before tax by \$2,796,865 (2022: a decrease of \$1,288,483).

## 27 Financial instruments (continued)

### e) Equity securities price risk

The Group has no exposure to equity investments listed on the Australian Securities Exchange.

### f) Fair values

The Group uses a number of methods to determine the fair value of its assets and liabilities as described in AASB 13 Fair Value Measurement. The methods comprise the following:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: inputs for the asset or liability which are not based on observable market data (unobservable inputs).

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Investment property (refer Note 13).
- Derivative financial instruments (refer Note 19).

The carrying amounts of receivables, other current assets and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

## 28 Group details

The principal place of business of the Group is Level 1 Suite 4 Epiq Marketplace, 5 Snapper Drive Lennox Head NSW and its principal activity is investing in commercial rental properties and residential and commercial land development properties.

At 30 June 2023 there were forty employees of the Responsible Entity.

**29 Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 1.

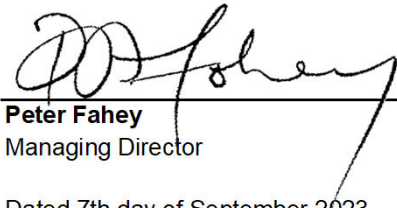
Name	Principal place of business / Country of incorporation	Consolidated Group	
		30 June 2023 %	30 June 2022 %
Yamba Quays Pty Ltd	Australia	100%	100%
WPT Solar Pty Ltd	Australia	100%	100%
Bayside Brunswick Pty Ltd	Australia	100%	100%
Bilambil Heights Pty Ltd	Australia	100%	100%
North Coffs Pty Ltd	Australia	100%	100%
WPT Land Developments 1 Pty Ltd	Australia	100%	100%
WPT Land Developments 2 Pty Ltd	Australia	100%	100%
WPT Land Developments 3 Pty Ltd	Australia	100%	100%
ELPT Land Developments 4 Pty Ltd	Australia	100%	100%
ELPT Land Developments 5 Pty Ltd	Australia	100%	100%
Wacol Industrial Trust	Australia	100%	100%
Logan Village Shopping Centre Trust	Australia	100%	100%
Ormeau Shopping Centre Trust	Australia	100%	100%
WPT Sub-Trust 3	Australia	100%	100%
WPT Sub-Trust 4	Australia	100%	100%
North Shore Townsville Property Trust	Australia	100%	100%
WPT Sub-Trust 6	Australia	100%	100%
Macquarie Commercial Property Trust	Australia	100%	100%
WPT Sub-Trust 7	Australia	100%	100%
WPT Sub-Trust 8	Australia	100%	100%
WPT Sub-Trust 9	Australia	100%	100%
WPT Sub-Trust 10	Australia	100%	100%
CPDF Sub-Trust 11	Australia	100%	100%
CPDF Sub-Trust 12	Australia	100%	100%
CPDF Sub-Trust 13	Australia	100%	100%
CPDF Sub-Trust 14	Australia	100%	100%
CPDF Sub-Trust 15	Australia	100%	100%
CPDF Sub-Trust 16	Australia	100%	100%

In accordance with a resolution of the directors, the directors of the responsible entity declare that:

1. The financial statements and notes of the consolidated Group and Clarence Property Diversified Fund as set out on pages 12 to 45 are in accordance with the Corporations Act 2001 and:
  - a) Comply with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b) Give a true and fair view of the financial position as at 30 June 2023 and of the performance for the year ended on that date of the consolidated Group and Clarence Property Diversified Fund.
2. In the directors' opinion there are reasonable grounds to believe the consolidated Group and Clarence Property Diversified Fund will be able to pay their debts as and when they become due and payable.

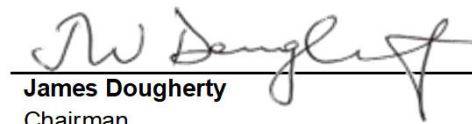
Signed in accordance with a resolution of the directors of the responsible entity.

On behalf of the directors of the responsible entity,



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**Peter Fahey**  
Managing Director



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**James Dougherty**  
Chairman

Dated 7th day of September 2023

## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF CLARENCE PROPERTY GROUP

### Report on the Financial Report

#### Opinion

We have audited the accompanying financial report, being a general purpose financial report, of the Clarence Property Group (Clarence Property Diversified Fund and the Epiq Lennox Property Trust) ("the Group"), and Clarence Property Diversified Fund ("the Fund"), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Fund and the Group, comprising the Fund and the entities it controlled at the year's end or from time to time during the financial year.

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

- a) Giving a true and fair view of the Group's and the Fund's financial position as at Friday, 30 June 2023 and of the Group and the Fund's performance for the year 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group and the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, 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.

#### Directors' Responsibilities for the Financial Report

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

In preparing the financial report, the directors of the responsible entity are responsible for assessing the Group's and the Fund'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 Group or the Fund or to cease operations, or have no realistic alternative but to do so.

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

Our responsibility is to express an opinion on the financial report based on our audit. 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, individual or in 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/Home.aspx>. This description forms part of our auditor's report.

A stylized, handwritten signature in black ink, appearing to read 'PKF'.

PKF BRISBANE AUDIT

A handwritten signature in black ink, appearing to read 'Liam Murphy'.

LIAM MURPHY  
PARTNER

BRISBANE, 7 SEPTEMBER 2023





[clarencproperty.com.au](http://clarencproperty.com.au) | 1300 853 069

Clarence Property Corporation Limited ABN 67 094 710 942 AFSL 230212.