

KFM Income Fund

ARSN 126 274 575

Annual report

For the period 1 July 2023 to 29 January 2024

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This annual report covers KFM Income Fund as an individual entity.

The Responsible Entity of KFM Income Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:

Level 1, 575 Bourke Street
Melbourne, VIC 3000.

Directors' report

The directors of Equity Trustees Limited, the Responsible Entity of KFM Income Fund (the "Fund"), present their report together with the financial statements of the Fund for the period 1 July 2023 to 29 January 2024.

Principal activities

Until its termination on 11 December 2023, the Fund invested predominantly in high yielding securities listed on the Australian Securities Exchange, such as hybrid securities (fixed and floating), money market and fixed interest investments, property trusts, preference shares, utilities and infrastructure stocks and ordinary shares, particularly high yielding securities such as bank shares, as well as cash. Option strategies were used for generating income and asset protection. The Fund invested in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

During the period, all assets of the Fund were liquidated and returned to unit holders.

The Fund did not have any employees during the period.

There were no significant changes in the nature of the Fund's activities during the period.

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	Kaplan Funds Management Pty Limited
Custodian and Administrator	National Australia Bank Limited
Statutory Auditor	Deloitte Touche Tohmatsu

Directors

The following persons held office as directors of Equity Trustees Limited during or since the end of the period and up to the date of this report:

Philip D Gentry	Chairman (resigned 6 June 2024)
Michael J O'Brien	Chairman (appointed 6 June 2024)
Russell W Beasley	(resigned 9 October 2024)
Mary A O'Connor	
David B Warren	
Andrew P Godfrey	(appointed 1 May 2024)
Johanna E Platt	(appointed 9 October 2024)

Review and results of operations

This is the final report for the Fund, which has been terminated.

During the period prior to its termination, the Fund continued to invest its funds in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

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

	For the period 1 July 2023 to 29 January 2024	Year ended 30 June 2023
Profit/(loss) for the period (\$)	47,606	1,085,867
Distributions paid and payable (\$)	187,020	905,319
Distributions (cents per unit)	1.3640	5.0999

Directors' report (continued)

Significant changes in the state of affairs

The Fund terminated on 11 December 2023 when all unit holders' entitlements were redeemed.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Fund that occurred during the period 1 July 2023 to 29 January 2024.

Matters subsequent to the end of the financial year

Andrew P Godfrey was appointed as a director of Equity Trustees Limited on 1 May 2024.

Philip D Gentry resigned as a director of Equity Trustees Limited on 6 June 2024.

On 9 October 2024, Russell W Beasley resigned as a director of Equity Trustees Limited, with Johanna E Platt being appointed as a director on the same date.

The Fund's financial report for the period 1 July 2023 to 29 January 2024 will be the final financial report in respect of the Fund. The Fund had a residual cash balance as at the termination date which has been remitted to the unitholders subsequent to the year end.

The Fund's remaining assets and liabilities have been settled on 29 January 2024.

No other matter or circumstance has arisen since 29 January 2024 that has significantly affected, or may have a significant effect on:

- i. the operations of the Fund; or
- ii. the results of those operations; or
- iii. the state of affairs of the Fund.

Indemnification and insurance of officers

No insurance premiums were paid for out of the assets of the Fund in regards to insurance cover provided to the officers of Equity Trustees Limited. So long as the officers of Equity Trustees Limited act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

Indemnification of auditor

The auditor of the Fund is in no way indemnified out of the assets of the Fund.

Fees paid to and interests held in the Fund by the Responsible Entity and its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the period are disclosed in Note 16 to the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the period.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the period are disclosed in Note 16 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the period is disclosed in Note 8 to the financial statements.

The value of the Fund's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

Environmental regulation

The operations of the Fund were not subject to any particular or significant environmental regulations under Commonwealth, State or Territory law.

Rounding of amounts to the nearest dollar

Amounts in the Directors' report have been rounded to the nearest dollar in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

Directors' report (continued)

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Andrew P Godfrey
Director

Melbourne
13 November 2024

13 November 2024

The Board of Directors
Equity Trustees Limited
Level 1, 575 Bourke Street
MELBOURNE VIC 3000

Dear Board Members,

Auditor's Independence Declaration- KFM Income Fund

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Equity Trustees Limited, the Responsible Entity, regarding the financial report of KFM Income Fund (the "Fund").

As lead audit partner for the audit of the financial report of the Fund for the period ended 29 January 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Jonathon Corbett
Partner
Chartered Accountants

Statement of comprehensive income

	Note	For the period 1 July 2023 to 29 January 2024 \$	Year ended 30 June 2023 \$
Investment income			
Interest income from financial assets at fair value through profit or loss		19,950	45,644
Dividend income		173,128	495,825
Distribution income		39,750	268,353
Net gains/(losses) on financial instruments at fair value through profit or loss		(104,443)	389,315
Other income		321	1,858
Total investment income/(loss)		<u>128,706</u>	<u>1,200,995</u>
Expenses			
Management fees and costs	16	36,772	90,923
Transaction costs		18,573	15,209
Other expenses	14	<u>25,755</u>	<u>8,996</u>
Total expenses		<u>81,100</u>	<u>115,128</u>
Profit/(loss) for the period		<u>47,606</u>	<u>1,085,867</u>
Other comprehensive income		-	-
Total comprehensive income for the period		<u>47,606</u>	<u>1,085,867</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Note	As at	
		29 January 2024	30 June 2023
		\$	\$
Assets			
Cash and cash equivalents	10	-	503,549
Receivables	12	-	84,569
Financial assets at fair value through profit or loss	5	-	<u>11,564,162</u>
Total assets		<u>-</u>	<u>12,152,280</u>
Liabilities			
Distributions payable	9	-	422,821
Payables	13	-	29,782
Financial liabilities at fair value through profit or loss	6	-	<u>41,439</u>
Total liabilities		<u>-</u>	<u>494,042</u>
Net assets attributable to unit holders - equity	8	<u>-</u>	<u>11,658,238</u>

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

Statement of changes in equity

		For the period 1 July 2023 to 29 January 2024	Year ended 30 June 2023
	Note	\$	\$
Total equity at the beginning of the period	8	11,658,238	17,458,573
Comprehensive income for the period			
Profit/(loss) for the period		47,606	1,085,867
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>47,606</u>	<u>1,085,867</u>
Transactions with unit holders			
Applications	8	105,519	2,995,904
Redemptions	8	(11,814,387)	(9,415,851)
Reinvestment of distributions	8	190,044	439,064
Distributions paid and payable	8	<u>(187,020)</u>	<u>(905,319)</u>
Total transactions with unit holders		<u>(11,705,844)</u>	<u>(6,886,202)</u>
Total equity at the end of the period		<u>-</u>	<u>11,658,238</u>

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

Statement of cash flows

	Note	For the period 1 July 2023 to 29 January 2024	Year ended 30 June 2023
		\$	\$
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		11,449,109	7,907,548
Payments for purchase of financial instruments at fair value through profit or loss		(30,829)	(3,511,381)
Interest income received from financial assets at fair value through profit or loss		27,491	42,238
Dividend received		186,333	493,913
Distribution received		96,348	284,951
Other income received		321	1,858
GST received		7,225	3,801
Management fees and costs paid		(66,554)	(98,771)
Transaction costs paid		(18,573)	(15,209)
Other expenses paid		(25,755)	(13,917)
Net cash inflow/(outflow) from operating activities	11(a)	<u>11,625,116</u>	<u>5,095,031</u>
Cash flows from financing activities			
Proceeds from applications by unit holders		105,519	2,995,904
Payments for redemptions by unit holders		(11,814,387)	(9,415,851)
Distributions paid to unit holders		(419,797)	(1,152,489)
Net cash inflow/(outflow) from financing activities		<u>(12,128,665)</u>	<u>(7,572,436)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(503,549)</u>	<u>(2,477,405)</u>
Cash and cash equivalents at the beginning of the period		<u>503,549</u>	<u>2,980,954</u>
Cash and cash equivalents at the end of the period	10	<u>-</u>	<u>503,549</u>
Non-cash operating and financing activities	11(b)	190,044	439,064

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

Notes to the financial statements

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1 General information

These special purpose financial statements cover KFM Income Fund (the "Fund") as an individual entity. The Fund was an Australian registered managed investment scheme which was constituted on 12 July 2007. The Fund terminated its operations on 11 December 2023 when all assets of the Fund were realised and all units were redeemed out of the Fund.

The Responsible Entity of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. The financial statements are presented in the Australian currency unless otherwise noted.

During the period, all assets of the Fund were liquidated and returned to the unit holders.

Until its termination on 11 December 2023, the Fund invested predominantly in high yielding securities listed on the Australian Securities Exchange, such as hybrid securities (fixed and floating), money market and fixed interest investments, property trusts, preference shares, utilities and infrastructure stocks and ordinary shares, particularly high yielding securities such as bank shares, as well as cash. Option strategies were used for generating income and asset protection. The Fund invested in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The financial statements were authorised for issue by the directors on the date the Directors' declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements had been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* in Australia. The Fund was a for-profit entity for the purpose of preparing the financial statements.

As the Fund was terminated on 11 December 2023, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a non-going concern basis. The non-going concern basis means assets have been written down to the lower of their carrying amounts and net realisable value and additional liabilities have been recognised to the extent there was a present obligation at the reporting date. The accounting policies set out below have been applied within this context. As there were no assets or liabilities at the reporting date, adopting the non-going concern basis did not change the carrying amounts of any assets or liabilities.

i. Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Fund also complied with IFRS as issued by the International Accounting Standards Board (IASB).

ii. New and amended standards and Interpretations adopted by the Fund

The Fund has applied the following standards and amendments for the first time for its financial year beginning 1 July 2023:

- AASB 2021-2 Amendments to Australian Accounting Standards – *Disclosure of Accounting Policies and Definition of Accounting Estimates* [AASB 7, AASB 101, AASB 108, AASB 134 & AASB *Practice Statement 2*].

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current period.

None of the other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2023 have a material impact on the amounts recognised in the prior periods or will affect the current period.

(b) Financial instruments

i. Classification

- Financial assets

The Fund classified its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

The Fund classified its financial assets based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The Fund's portfolio of financial assets was managed and performance was evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy was for the Investment Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities and derivatives, the contractual cash flows of these instruments did not represent solely payments of principal and interest. Consequently, these investments were measured at fair value through profit or loss.

For debt securities, the contractual cash flows were solely payments of principal and interest, however they were neither held for collecting contractual cash flows nor both for collecting contractual cash flows and for sale. The collection of contractual cash flows was only incidental to achieving the Fund's business objective. Consequently, the debt securities were measured at fair value through profit or loss.

For cash and cash equivalents and receivables, these assets were held in order to collect the contractual cash flows. The contractual terms of these assets give rise on specified dates, to cash flow that were solely payments of principal and interest on the principal amount outstanding. Consequently, these were measured at amortised cost.

- Financial liabilities

For financial liabilities that were not classified and measured at fair value through profit or loss, these were classified as financial liabilities at amortised cost (distributions payable and payables).

ii. Recognition and derecognition

The Fund recognised financial assets and financial liabilities on the date it became party to the contractual agreement (trade date) and recognised changes in the fair value of the financial assets or financial liabilities from this date.

Financial assets were derecognised when the rights to receive cash flows from the financial assets have expired or the Fund had transferred substantially all the risks and rewards of ownership. Financial liabilities were derecognised when the obligation under the liability was discharged, cancelled or expired. When an existing financial liability was replaced by another from the same lender on substantially different terms, or the terms of an existing liability were substantially modified, such an exchange or modification was treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts was recognised in the statement of comprehensive income.

iii. Measurement

- Financial instruments at fair value through profit or loss

At initial recognition, the Fund measured a financial asset and a financial liability at their fair value. Transaction costs of financial assets and liabilities carried at fair value through profit or loss were expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss were measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or liabilities at fair value through profit or loss' category were presented in the statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arose.

For further details on how the fair value of financial instruments is determined please see Note 4 to the financial statements.

- Financial instruments at amortised cost

For financial assets and financial liabilities at amortised cost, they were initially measured at fair value including directly attributable costs and were subsequently measured using the effective interest rate method less any allowance for expected credit losses.

Cash and cash equivalents, receivables and payables were carried at amortised cost.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

iv. Impairment

At each reporting date, the Investment Manager estimated a loss allowance on each of the financial assets carried at amortised cost (cash and cash equivalents and receivables) at an amount equal to the lifetime expected credit losses if the credit risk had increased significantly since initial recognition. If, at the reporting date, the credit risk had not increased significantly since initial recognition, the Investment Manager measured the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party would enter bankruptcy or financial reorganisation, and default in payments were all considered indicators that the asset was credit impaired. If the credit risk increased to the point that it was considered to be credit impaired, interest income would be calculated based on the net carrying amount adjusted for the loss allowance. A significant increase in credit risk was defined by management as any contractual payment which was more than 30 days past due. Any contractual payment which was more than 90 days past due was considered credit impaired.

The expected credit loss (ECL) approach was based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expected to receive. The shortfall was then discounted at an approximation to the asset's original effective interest rate.

The amount of the impairment loss was recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised became uncollectable in a subsequent period, it was written off against the allowance account. Subsequent recoveries of amounts previously written off were credited against other expenses in the statement of comprehensive income.

v. Offsetting financial instruments

Financial assets and liabilities were offset and the net amount was reported in the statement of financial position when the Fund had a legally enforceable right to offset the recognised amounts, and there was an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

As at the end of the period, there were no financial assets or liabilities offset or with the right to offset in the statement of financial position.

(c) Net assets attributable to unit holders

Units were redeemable at the unit holders' option; however, applications and redemptions may be suspended by the Responsible Entity if it was in the best interests of the unit holders.

The units could be put back to the Fund at any time for cash based on the redemption price, which was equal to a proportionate share of the Fund's net asset value attributable to the unit holders.

The units were carried at the redemption amount that was payable at the reporting date if the holder exercised the right to put the units back to the Fund.

The Fund's units were classified as equity as they satisfy the following criteria under AASB 132 *Financial Instruments*:
Presentation:

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

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents included cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that were readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Payments and receipts relating to the purchase and sale of investment securities were classified as cash flows from operating activities, as trading of these securities represents the Fund's main income generating activity.

2 Summary of significant accounting policies (continued)

(e) Investment income

i. Interest income

Interest income from financial assets at amortised cost was recognised using the effective interest method and includes interest from cash and cash equivalents. Interest from financial assets at fair value through profit or loss was determined based on the contractual coupon interest rate and includes interest from debt securities measured at fair value through profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Interest income on financial assets at fair value through profit or loss was also recognised in the statement of comprehensive income. Changes in fair value of financial instruments at fair value through profit or loss were recorded in accordance with the policies described in Note 2(b) to the financial statements.

ii. Dividends and distributions

Dividend income is recognised on the ex-dividend date. The Fund only invests in domestic securities, hence no foreign withholding tax was incurred.

Trust distributions were recognised on an entitlement basis.

(f) Expenses

All expenses were recognised in the statement of comprehensive income on an accrual basis.

The management fees and costs cover certain ordinary expenses such as Responsible Entity fees, investment management fees (other than the performance fee), custodian fees, and administration and audit fees.

(g) Income tax

Under current legislation, the Fund was not subject to income tax provided it distributes the entirety of its taxable income to its unit holders.

(h) Distributions

The Fund may distribute its distributable income, in accordance with the Fund's Constitution, to unit holders by cash or reinvestment. The distributions were recognised in the statement of changes in equity.

(i) Functional and presentation currency

Balances included in the Fund's financial statements were measured using the currency of the primary economic environment in which it operates (the "functional currency"). This was the Australian dollar, which reflects the currency of the economy in which the Fund competed for funds and is regulated. The Australian dollar was also the Fund's presentation currency.

(j) Receivables

Receivables may include amounts for interest, dividends and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts were generally received within 30 days of being recorded as receivables.

(k) Payables

Payables included liabilities and accrued expenses owed by the Fund and any distributions declared which were unpaid as at the end of the period.

A separate distribution payable was recognised in the statement of financial position.

Distributions declared effective 30 June in relation to unit holders who have previously elected to reinvest distributions are recognised as reinvested effective 1 July of the following period.

2 Summary of significant accounting policies (continued)

(l) Applications and redemptions

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

(m) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as management, administration and custodian services where applicable, were passed on to the Fund. The Fund qualified for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence, fees for these services and any other expenses were recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts payable were inclusive of GST. The net amount of GST recoverable from the ATO was included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(n) Use of estimates and judgements

The Fund made estimates, assumptions and judgements that affected the reported amounts of assets and liabilities within the current and next period. Estimates and judgements were continually evaluated and were based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices were readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, were fair valued using valuation techniques. Where valuation techniques (for example, pricing models) were used to determine fair values, they were validated and periodically reviewed by experienced personnel of the Investment Manager.

Models used observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations, require management to make estimates and judgements. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Fund estimated that the resultant expected credit loss (ECL) derived from using impairment model, has not materially impacted the Fund. Please see Note 3 for more information on credit risk.

For more information on how fair value is calculated refer to Note 4 to the financial statements.

(o) Rounding of amounts

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest dollar unless otherwise indicated.

(p) Comparative revisions

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

3 Financial risk management

The Fund's activities exposed it to a variety of financial risks including market risk (which incorporates price risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focused on ensuring compliance with the Fund's Constitution, the Product Disclosure Statement and the investment guidelines of the Fund. It also sought to maximise the returns derived for the level of risk to which the Fund was exposed and sought to minimise potential adverse effects on the Fund's financial performance.

All investments presented a risk of loss of capital. The maximum loss of capital on long equity and debt securities were limited to the fair value of those positions.

The investments of the Fund, and associated risk, were managed by a specialist Investment Manager, Kaplan Funds Management Pty Limited under an Investment Management Agreement ("IMA") approved by the Responsible Entity, and containing the investment strategy and guidelines of the Fund, consistent with those stated in the Product Disclosure Statement.

The Investment Manager's approach to reducing financial risk was largely through adjustments to asset allocation. At the security level the focus was on stability of income and credit holdings by investment grade issuers. The buy and write strategy controls price risk through selection of appropriate option strike prices and maturities. The Fund was denominated in Australian dollar and was not exposed to currency risk. The Fund's liquidity profile was tested annually.

3 Financial risk management (continued)

The Fund used different methods to measure different types of risk to which it was exposed. These methods are explained below.

(a) Market risk

i. Price risk

The Fund was exposed to price risk on equity securities and debt securities listed or quoted on recognised securities exchanges. Price risk arises from investments held by the Fund for which prices in the future were uncertain.

Price risk was managed by the Investment Manager. The Investment Manager mitigated price risk through diversification and a careful selection of securities and other financial instruments in accordance with the investment mandate of the Fund.

The Fund's overall market positions were monitored on a regular basis by the Investment Manager. This information and the compliance with the Fund's Product Disclosure Statement were reported to the Investment Manager's compliance manager and other key management personnel.

As at 29 January 2024, the Fund is not exposed to price risks as the Fund has been terminated. The table at Note 3(b) summarises the sensitivities of the Fund's assets and liabilities to price risk. The analysis is based on the reasonably possible shift that the investment portfolio in which the Fund invested moves by +/-10% as at 30 June 2023.

ii. Interest rate risk

The Fund was exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk.

The Fund's interest bearing financial instruments expose it to risks associated with the effects of fluctuation in the prevailing market interest rate on its financial position and cash flows. The risk was measured using sensitivity analysis.

The Fund's main interest rate risk arises from its investment in floating rate notes and convertible notes.

Interest rate risk was managed by the Investment Manager. The Investment Manager takes into account its assessment of market interest rates to determine the mix between fixed and floating rate securities in the portfolio.

As at 29 January 2024, the Fund is not exposed to interest rate risk as the Fund has been terminated. The table below summarises the Fund's exposure to interest rate risk as at 30 June 2023.

	Floating interest rate	Non-interest bearing	Total
	\$	\$	\$
As at 30 June 2023			
Financial assets			
Cash and cash equivalents	503,549	-	503,549
Receivables	-	84,569	84,569
Financial assets at fair value through profit or loss	<u>577,963</u>	<u>10,986,199</u>	<u>11,564,162</u>
Total financial assets	<u>1,081,512</u>	<u>11,070,768</u>	<u>12,152,280</u>
Financial liabilities			
Distributions payable	-	422,821	422,821
Payables	-	29,782	29,782
Financial liabilities at fair value through profit or loss	<u>-</u>	<u>41,439</u>	<u>41,439</u>
Total financial liabilities	<u>-</u>	<u>494,042</u>	<u>494,042</u>
Net exposure	<u>1,081,512</u>	<u>10,576,726</u>	<u>11,658,238</u>

3 Financial risk management (continued)

ii. Interest rate risk (continued)

The table at Note 3(b) summarises the impact of an increase/decrease in interest rates on the Fund's operating profit and net assets attributable to unit holders through changes in fair value or changes in future cash flows as at 30 June 2023. The analysis is based on the reasonably possible shift that the interest rates changed by +/- 25 basis points from the year end rates with all other variables held constant.

(b) Summarised sensitivity analysis

As at 29 January 2024, the Fund is not exposed to market risk as the Fund has been terminated. The following table summarises the sensitivities of the Fund's operating profit and net assets attributable to unit holders to market risks as at 30 June 2023. The reasonably possible movements in the risk variables had been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in foreign exchange rates, interest rates and the historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables might be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invested. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

	Impact on profit/net assets attributable to unit holders			
	Price risk		Interest rate risk	
	+10%	-10%	+25bps	-25bps
	\$	\$	\$	\$
As at 30 June 2023	1,094,476	(1,094,476)	3	(3)

(c) Credit risk

Credit risk was the risk that a counterparty will be unable or unwilling to pay amounts in full when due.

The Fund was exposed to credit risk from its investments in listed debt securities and money market securities. The Manager mitigates the Fund's credit risk arising from these investments by:

- investing only in money market securities issued by the major domestic banks;
- undertaking thorough research before investing in any listed debt securities; and
- diversifying its portfolio of debt securities.

The Fund was also exposed to credit risk from its cash deposits with banks and amounts due from brokers. None of these assets are impaired nor past due but not impaired.

Concentrations of credit risk were minimised primarily by:

- ensuring counterparties were approved;
- ensuring that transactions were undertaken with a number of counterparties; and
- ensuring that the majority of transactions were undertaken on recognised exchanges.

There were no significant concentrations of credit risk to counterparties at 29 January 2024 or 30 June 2023.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the statement of financial position date.

i. Debt securities

The Fund invested into debt securities which have an investment grade categorisation as rated by Standard & Poor's Ratings Services. For unrated assets a rating was assigned by the Investment Manager using an approach that was consistent with the approach used by rating agencies. All debt securities must had a minimum investment grade as outlined in the Fund's Product Disclosure Statement.

3 Financial risk management (continued)

(c) Credit risk (continued)

As at 29 January 2024, the Fund is not exposed to credit risk as the Fund does not hold any financial assets. As at 30 June 2023, an analysis of debt by rating is set out in the table below.

	BBB+	Unrated	Total
	\$	\$	\$
As at 30 June 2023			
Financial assets at fair value through profit or loss			
Floating rate notes	175,760	402,203	577,963
Total	175,760	402,203	577,963

ii. Derivative financial instruments

For derivative financial instruments, the Investment Manager had established limits such that, at any time, less than 10% of the fair value of favourable contracts outstanding were with any individual counterparty.

The Fund also restricts its exposure to credit losses on the trading of derivative instruments it holds by entering into master netting arrangements with counterparties (approved brokers) with whom it undertakes a significant volume of transactions. Master netting arrangements do not result in an offset of financial assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts was reduced by master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty were closed and settled on a net basis. The Fund's overall exposure to credit risk on derivative instruments subject to a master netting arrangement can change substantially within a short period, as it was affected by each transaction subject to the arrangements. As at 29 January 2024, the Fund had no master netting arrangements (30 June 2023: nil).

iii. Settlement of securities transactions

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default was considered low, as delivery of securities sold was only made once the broker has received payment. Payment was made once the securities purchased have been received by the broker. The trade would fail if either party fails to meet its obligations.

iv. Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents was low as all counterparties have a rating of AA- (as determined by Standard & Poor's Ratings Services) or higher.

v. Other

The Fund was not materially exposed to credit risk on other financial assets.

(d) Liquidity risk

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

Exposure to liquidity risk for the Fund might arise from the requirement to meet daily unit holder redemption requests.

The Investment Manager monitored the Fund's liquidity position on a regular basis. This information and the compliance with the Fund's policy were reported to the Investment Manager's compliance manager and other key management personnel.

In order to manage the Fund's overall liquidity, the Responsible Entity had the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion was in the best interests of unit holders. The Fund did not reject or withhold any redemptions during the period 1 July 2023 to 29 January 2024.

i. Maturities of non-derivative financial liabilities

There were no non-derivative financial liabilities at the end of the current reporting period.

As at 30 June 2023, all non-derivative financial liabilities of the Fund have maturities of less than 1 month.

3 Financial risk management (continued)

(d) Liquidity risk (continued)

ii. Maturities of gross settled derivative financial instruments

There were no derivative financial instruments at the end of the current reporting period.

The table below analyses the Fund's gross settled derivative financial instruments based on their contractual maturity as at 30 June 2023. The Fund might, at its discretion, settle financial instruments prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the relevant instruments.

	Less than 1 month	1 to 6 months	6 to 12 months	Over 12 months	Total
	\$	\$	\$	\$	\$
At as 30 June 2023					
Australian exchange traded options					
Inflows	-	-	-	-	-
(Outflows)	-	(41,439)	-	-	(41,439)
Total gross settled derivatives	-	(41,439)	-	-	(41,439)

4 Fair value measurement

The Fund measured and recognised financial assets and liabilities at fair value through profit or loss on a recurring basis.

- Financial assets/liabilities at fair value through profit or loss (see Note 5 and Note 6)
- Derivative financial instruments (see Note 7)

The Fund had no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* required disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Fund valued its investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

(a) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives, interest bearing securities, and listed equity securities) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The quoted market price used for financial assets held by the Fund was the current bid price; the quoted market price for financial liabilities was the current asking price. When the Fund holds derivatives with offsetting market risks, it used mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument was regarded as quoted in an active market if quoted prices were readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market was a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

4 Fair value measurement (continued)

(b) Fair value in an inactive or unquoted market (level 2)

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

(c) Recognised fair value measurements

There were no financial assets and financial liabilities as at 29 January 2024. The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2023.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at 30 June 2023				
Financial assets				
Australian listed equity securities	10,986,199	-	-	10,986,199
Debt securities	<u>577,963</u>	<u>-</u>	<u>-</u>	<u>577,963</u>
Total financial assets	<u>11,564,162</u>	<u>-</u>	<u>-</u>	<u>11,564,162</u>
Financial liabilities				
Australian exchange traded options	<u>41,439</u>	<u>-</u>	<u>-</u>	<u>41,439</u>
Total financial liabilities	<u>41,439</u>	<u>-</u>	<u>-</u>	<u>41,439</u>

(d) Transfer between levels

Management's policy was to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no financial assets and financial liabilities as at 29 January 2024.

There were no transfers between levels in the fair value hierarchy for the period ended 29 January 2024.

(e) Financial instruments not carried at fair value

The carrying values of cash and cash equivalents, receivables, due to brokers - payable for securities purchased, and payables approximate their fair values due to their short-term nature.

5 Financial assets at fair value through profit or loss

	As at	
	29 January 2024 \$	30 June 2023 \$
Australian listed equity securities	-	7,977,516
Australian trust securities	-	3,008,683
Debt securities	<u>-</u>	<u>577,963</u>
Total financial assets at fair value through profit or loss	<u>-</u>	<u>11,564,162</u>

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in Note 3 and Note 4 to the financial statements.

6 Financial liabilities at fair value through profit or loss

	As at	
	29 January 2024 \$	30 June 2023 \$
Australian exchange traded options	-	41,439
Total financial liabilities at fair value through profit or loss	-	41,439

An overview of the risk exposures and fair value measurements relating to financial liabilities at fair value through profit or loss is included in Note 3 and Note 4 to the financial statements.

7 Derivative financial instruments

In the normal course of business, the Fund entered into transactions in various derivative financial instruments which have certain risks. A derivative was a financial instrument or other contract which was settled at a future date and whose value changed in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

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

Derivative transactions include many different instruments such as forwards, futures and options. Derivatives were considered to be part of the investment process and the use of derivatives was an essential part of the Fund's portfolio management. Derivatives were not managed in isolation. Consequently, the use of derivatives was multifaceted and includes:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values, foreign exchange risk or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives were used for trading purposes, they were not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund.

Certain transactions might give rise to a form of leverage. Such transactions may include, among others, reverse repurchase agreements, loans of portfolio securities, and the use of when-issued, delayed-delivery or forward commitment transactions. Leverage might be incurred when it is believed that it is advantageous to increase the investment capacity of a Fund or to facilitate the clearance of transactions. Leverage creates opportunity for greater total returns for a Fund, but it also may magnify losses. The use of derivatives may also create leverage risk.

The Fund holds the following derivatives:

Options

An option was a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. Options held by the Fund were exchange-traded. The Fund was exposed to credit risk on purchased options to the extent of their carrying amount, which was their fair value. Options are settled on a gross basis.

7 Derivative financial instruments (continued)

As at 29 January 2024, the Fund held no derivative financial instruments. The Fund's derivative financial instruments measured at fair value as at 30 June 2023:

	Contractual/ notional \$	Assets \$	Liabilities \$
As at 30 June 2023			
Australian exchange traded options	1,284,325	-	41,439
Total derivatives	<u>1,284,325</u>	<u>-</u>	<u>41,439</u>

Information about the Fund's exposure to credit risk and interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 3 and Note 4 to the financial statements. The maximum exposure to credit risk at the end of the financial period is the carrying amount of each class of derivative financial instruments disclosed above.

8 Net assets attributable to unit holders - equity

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

Movements in the number of units and net assets attributable to unit holders during the period were as follows:

	For the period 1 July 2023 to 29 January 2024 Units	Year ended 30 June 2023 Units	For the period 1 July 2023 to 29 January 2024 \$	Year ended 30 June 2023 \$
Opening balance	15,850,103	23,690,964	11,658,238	17,458,573
Applications	143,562	3,944,602	105,519	2,995,904
Redemptions	(16,252,431)	(12,375,204)	(11,814,387)	(9,415,851)
Reinvestment of distributions	258,766	589,741	190,044	439,064
Distributions paid and payable	-	-	(187,020)	(905,319)
Profit/(loss) for the year	-	-	47,606	1,085,867
Closing balance	<u>-</u>	<u>15,850,103</u>	<u>-</u>	<u>11,658,238</u>

As stipulated within the Fund's Constitution, each unit represented a right to an individual share in the Fund and did not extend to a right in the underlying assets of the Fund.

There were no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Units were redeemed on demand at the unit holders' option. However, holders of these instruments typically retained them for the medium to long term. As such, the amount expected to be settled within twelve months after the end of the period could not be reliably determined.

Capital risk management

The Fund considered its net assets attributable to unit holders' as capital. The amount of net assets attributable to unit holders could change significantly on a daily basis as the Fund was subject to daily applications and redemptions at the discretion of unit holders.

Daily applications and redemptions were reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity had the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unit holders.

9 Distributions to unit holders

The distributions declared during the period were as follows:

	For the period 1 July 2023 to 29 January 2024 \$	For the period 1 July 2023 to 29 January 2024 CPU	Year ended 30 June 2023 \$	Year ended 30 June 2023 CPU
Distributions				
September	95,902	0.6598	177,109	0.8576
December	91,118	0.7042	165,109	0.8034
March	-	-	140,280	0.7713
June (payable)	-	-	422,821	2.6676
Total distributions	<u>187,020</u>	<u>1.3640</u>	<u>905,319</u>	<u>5.0999</u>

10 Cash and cash equivalents

	As at	
	29 January 2024 \$	30 June 2023 \$
Cash at bank	-	503,549
Total cash and cash equivalents	<u>-</u>	<u>503,549</u>

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

	For the period 1 July 2023 to 29 January 2024 \$	Year ended 30 June 2023 \$
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the period	47,606	1,085,867
Proceeds from sale of financial instruments at fair value through profit or loss	11,449,109	7,907,548
Payments for purchase of financial instruments at fair value through profit or loss	(30,829)	(3,511,381)
Net (gains)/losses on financial instruments at fair value through profit or loss	104,443	(389,315)
Net change in receivables	84,569	15,081
Net change in payables	(29,782)	(12,769)
Net cash inflow/(outflow) from operating activities	<u>11,625,116</u>	<u>5,095,031</u>
(b) Non-cash operating and financing activities		
The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan	190,044	439,064
Total non-cash operating and financing activities	<u>190,044</u>	<u>439,064</u>

12 Receivables

	As at	
	29 January 2024 \$	30 June 2023 \$
Dividends and distributions receivable	-	69,803
GST receivable	-	7,225
Interest receivable	-	7,541
Total receivables	<u>-</u>	<u>84,569</u>

13 Payables

	As at	
	29 January 2024 \$	30 June 2023 \$
Management fees and costs payable	-	29,782
Total payables	<u>-</u>	<u>29,782</u>

14 Other expenses

	For the period 1 July 2023 to 29 January 2024 \$	Year ended 30 June 2023 \$
	Other expenses	25,755
Total other expenses	<u>25,755</u>	<u>8,996</u>

15 Remuneration of auditors

During the period the following fees were paid or payable for services provided by the auditors of the Fund:

	For the period 1 July 2023 to 29 January 2024 \$	Year ended 30 June 2023 \$
Deloitte Touche Tohmatsu		
<i>Audit and other assurance services</i>		
Audit of financial statements	9,270	11,791
Total auditor remuneration and other assurance services	<u>9,270</u>	<u>11,791</u>
<i>Taxation services</i>		
Tax compliance services	6,182	7,685
Total remuneration for taxation services	<u>6,182</u>	<u>7,685</u>
Total remuneration of Deloitte Touche Tohmatsu	<u>15,452</u>	<u>19,476</u>
PricewaterhouseCoopers		
<i>Audit and other assurance services</i>		
Audit of compliance plan	-	2,346
Total auditor remuneration and other assurance services	<u>-</u>	<u>2,346</u>
Total remuneration of PricewaterhouseCoopers	<u>-</u>	<u>2,346</u>

15 Remuneration of auditors (continued)

The auditors' remuneration is borne by the Investment Manager. Fees are stated exclusive of GST.

16 Related party transactions

The Responsible Entity of KFM Income Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to Equity Trustees Limited were disclosed below.

The Responsible Entity had contracted services to Kaplan Funds Management Pty Limited, to act as Investment Manager and National Australia Bank Limited to act as Custodian and Administrator for the Fund. The contracts were on normal commercial terms and conditions.

(a) Key management personnel

i. Directors

Key management personnel include persons who were directors of Equity Trustees Limited at any time during or since the end of the period and up to the date of this report.

Philip D Gentry	Chairman (resigned 6 June 2024)
Michael J O'Brien	Chairman (appointed 6 June 2024)
Russell W Beasley	(resigned 9 October 2024)
Mary A O'Connor	
David B Warren	
Andrew P Godfrey	(appointed 1 May 2024)
Johanna E Platt	(appointed 6 October 2024)

ii. Responsible Entity

Other than fees paid to the Responsible Entity, there were no other transactions.

iii. Other key management personnel

There were no other key management personnel with responsibility for planning, directing and controlling activities of the Fund, directly or indirectly during the financial period.

(b) Transactions with key management personnel

There were no transactions with key management personnel during the reporting period.

(c) Key management personnel unit holdings

Key management personnel did not hold units in the Fund as at 29 January 2024 (30 June 2023: nil).

(d) Key management personnel compensation

Key management personnel are paid by EQT Services Pty Ltd. Payments made from the Fund to Equity Trustees Limited do not include any amounts directly attributable to the compensation of key management personnel.

(e) Key management personnel loans

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

(f) Other transactions within the Fund

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

16 Related party transactions (continued)

(g) Responsible Entity fees, Investment Manager's fees and other transactions

Under the terms of the Fund's Constitution and Product Disclosure Statement for the Fund, the Responsible Entity and the Investment Manager were entitled to receive fees.

The transactions during the period and amounts payable as at period end between the Fund, the Responsible Entity and the Investment Manager were as follows:

	For the period 1 July 2023 to 29 January 2024	Year ended 30 June 2023
	\$	\$
Management fees and costs for the year	36,772	90,923
Management fees and costs payable at year end	-	29,782

For information on how management and performance fees are calculated please refer to the Fund's Product Disclosure Statement.

The management fees borne by the Fund are paid to the Investment Manager, who in turn provides the on-payment of the fees to the respective service providers. Expense recoveries include Responsible Entity fees, Custodian and Administrator fees and other expenses.

Equity Trustees Limited earned \$18,017 (2023: \$31,458) for Responsible Entity services to the Fund paid from management fees and costs.

(h) Related party unit holdings

Parties related to the Fund (including Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) held no units in the Fund as at 29 January 2024 (30 June 2023: nil).

(i) Investments

The Fund did not hold any investments in Equity Trustees Limited or its related parties during the period (30 June 2023: nil).

17 Events occurring after the reporting period

No significant events have occurred since the end of the period which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 29 January 2024 or on the results and cash flows of the Fund for the period ended on that date.

18 Contingent assets and liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 29 January 2024 and 30 June 2023.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 6 to 26 are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the Fund's financial position as at 29 January 2024 and of its performance for the period ended on that date.
- (b) As outlined in Note 1 to the financial statements, the Fund terminated its operations on 11 December 2023 when all units were redeemed out of the Fund; and
- (c) Note 2(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Andrew P Godfrey
Director

Melbourne
13 November 2024

Independent Auditor's Report to the Unit Holders of KFM Income Fund

Opinion

We have audited the financial report of KFM Income Fund (the "Fund") which comprises the statement of financial position as at 29 January 2024, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the period from 1 July 2023 to 29 January 2024, and notes to the financial statements, including material accounting policy information and other explanatory information, and the Directors' declaration.

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

- giving a true and fair view of the Fund's financial position as at 29 January 2024 and of its financial performance for the period from 1 July 2023 to 29 January 2024; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Responsible Entity of the Fund (the "Directors"), would be in the same terms if given to the Directors as at the time of this auditor's report.

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

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Directors' report for the period ended 31 January 2024, 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 we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 2 to the financial report which includes the non-going concern basis of accounting, is appropriate to meet the requirements of Australian Accounting Standards and the *Corporations Act 2001*. The Directors' responsibility also includes 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.

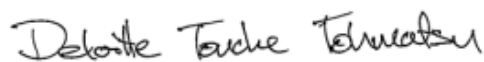
Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the non-going concern basis of accounting. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



DELOITTE TOUCHE TOHMATSU



Jonathon Corbett
Partner
Chartered Accountants

Melbourne, 13 November 2024