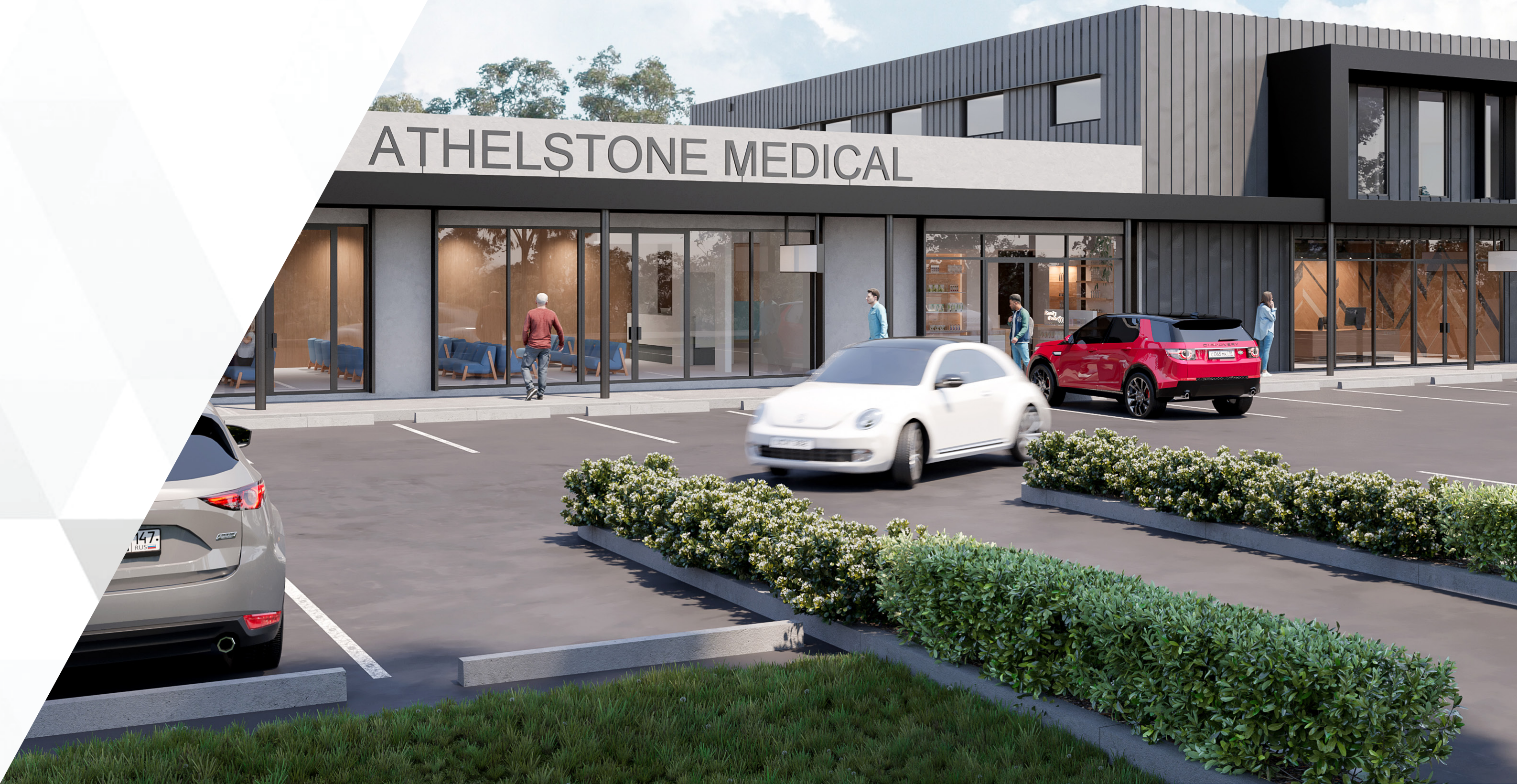
Capital Prudential

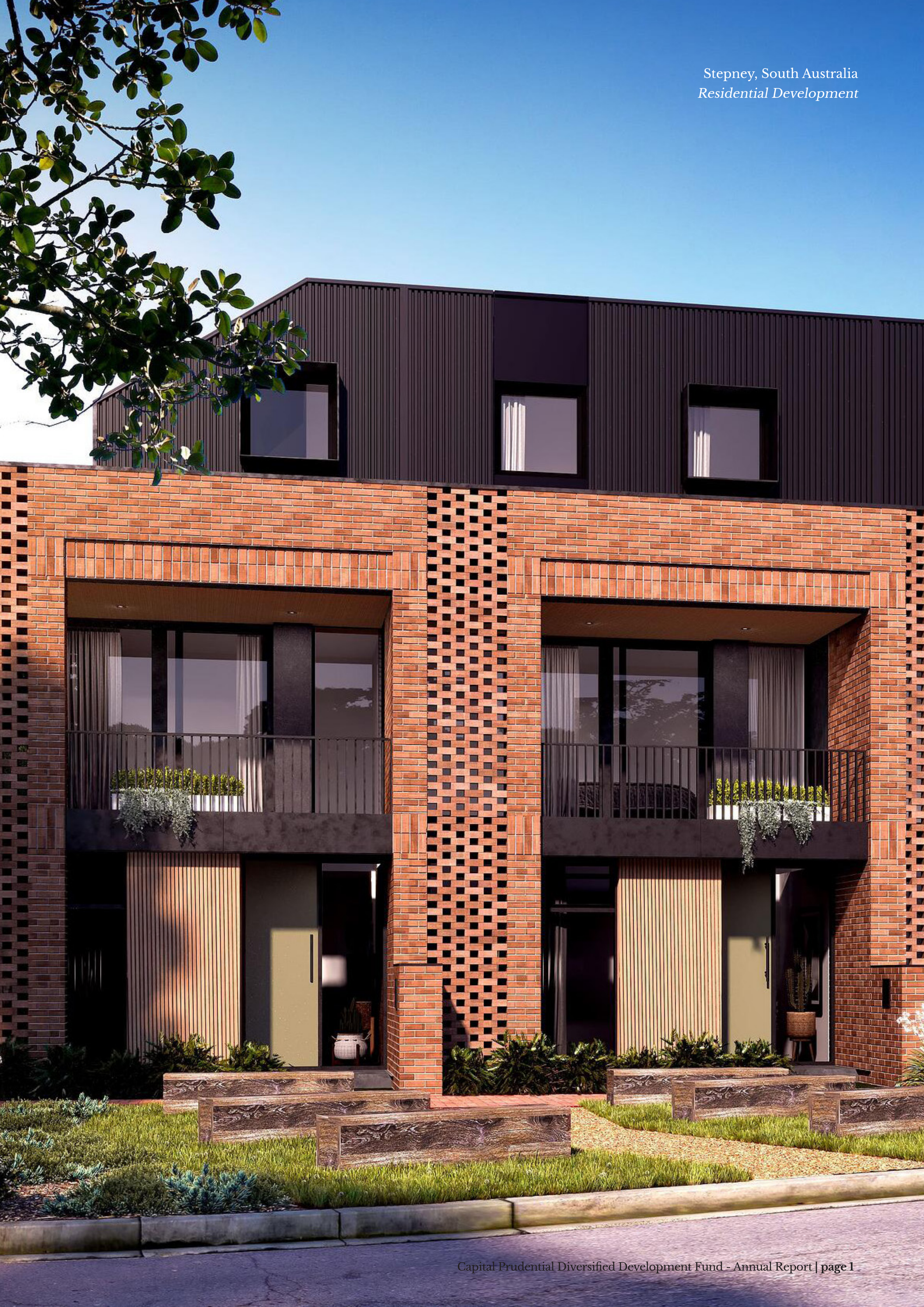
Annual Report



Capital Prudential Diversified Development Fund

for the period ended 30 June 2023

Issued by Capital Prudential Diversified Development Fund Pty Ltd (ACN 636 283 219) as trustee for Capital Prudential Diversified Development Fund (ABN 89 431 200 517)


Stepney, South Australia
Residential Development

CONTENTS

Letter from the Managing Director

Dear Investors,

I am pleased to present investors with the Capital Prudential Diversified Development Fund's (CPDDF) financial statements for the year ended 30 June 2023 (highlighting that the CPDDF Group has nearly doubled its revenue year on year) and confirming that CPDDF has been compliant with its Trust deed at all times.

In November 2019, the Capital Prudential Diversified Development Fund was established with two key objectives in mind. Firstly to provide investors with access to the attractive returns from property development delivered entirely as a regular predictable income stream; and secondly, to provide an institutional capital solution to deliver small to mid-scale commercial and residential property development, an underfunded sector of the property market.

Starting small with a $2.8m two dwelling development completed in Adelaide in December, 2020, the Fund has experienced stellar growth into our fourth year of operation. We now have over $500 million in completed, in-progress and pipeline developments.

While some firms operate with the mantra of growth at all costs, our philosophy has not changed from the first house we developed to the major industrial, commercial and residential properties we develop today. Regardless of the development, all must satisfy our bottom up, fundamental value driven feasibility assessments, and then following this, each and every development must pass our rigorous de-risking process before entering the Fund.

From an initial focus on the South Australian market, we are now diversified across Australia and have people based in Adelaide, Perth, Melbourne and Brisbane. Furthermore, our spread of developments spans boutique residential, midscale specialty commercial including childcare, healthcare and fast food to larger industrial projects.

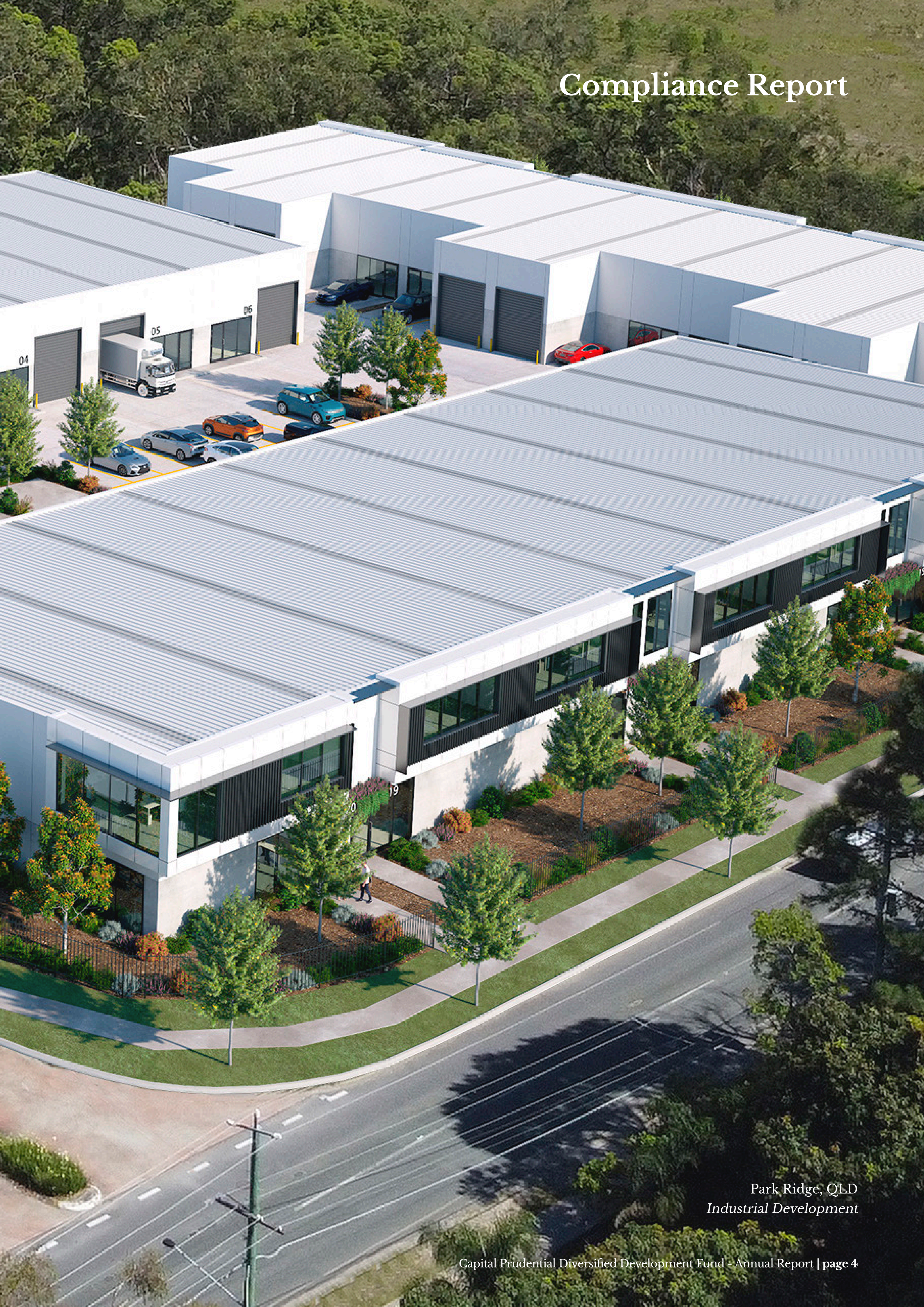
With new development proposals being presented to us weekly for review, we anticipate sustained growth in the coming years. This will be further supported by new retail and wholesale funds to be launched over the next 12 months.

I would like to thank all the investors who have been part of our journey to date and we welcome new wholesale investors to contact us if you would like to benefit from high, fixed income returns via Secured Income Notes in the Capital Prudential Diversified Development Fund.

Yours sincerely,

Sam Moore
Capital Prudential Managing Director

Compliance Report



Park Ridge, QLD
Industrial Development

Compliance Report

The Fund complied with its requirement to maintain appropriate equity levels during the financial year. As per the Information Memorandum, the Trustee must not issue any further Secured Income Notes if the Unit Holder Interests represent less than 10% of the asset base (excluding cash) of the Fund under the Fund's Valuation Policy. The 10% minimum Unit Holder Interest ratio is calculated monthly for each property under the Fund's Valuation Policy as set out in the Information Memorandum.

The Trustee has no obligation to contribute cash or to maintain this minimum percentage over the life of the Fund but the Trustee will not undertake any further investments or issue any further Secured Income Notes while the equity value is below 10% of the Fund's capital base.

Non-GAAP Total Equity Attributed to Unitholders	30 June 2023	30 June 2022
	$	$
Total Net Assets attributable to Fund Unit Holders in accordance with GAAP	47,504	47,504
Add: Fair Value of Land Held to Re-Sale (per Fund Valuation Policy)	80,050,794	45,035,772
Less: Land Held for Re-Sale - at Cost	(71,951,822)	(37,540,631)
Non-GAAP Total Equity Attributable to Unit Holders	**8,098,972**	**7,495,141**
Other amounts payable to Unit Holders	5,005,112	2,323,863
Total Non-GAAP Unit Holder Interests	**13,104,084**	**9,819,004**

Non-GAAP Total Assets	30 June 2023	30 June 2022
	$	$
Total Assets per financial statements	84,810,018	45,472,797
Less: Land Held for Re-Sale – at cost	(71,951,822)	(37,540,631)
Add: Fair Value of Land Held for Re-Sale (per Fund Valuation Policy)	80,050,794	45,035,772
Less: Cash and Cash Equivalents	(5,584,279)	(4,780,457)
Non-GAAP Total Assets (per Fund Valuation Policy)	**87,324,711**	**48,187,481**

Unit Holder Equity Percentage	**15.0%**	**20.4%**

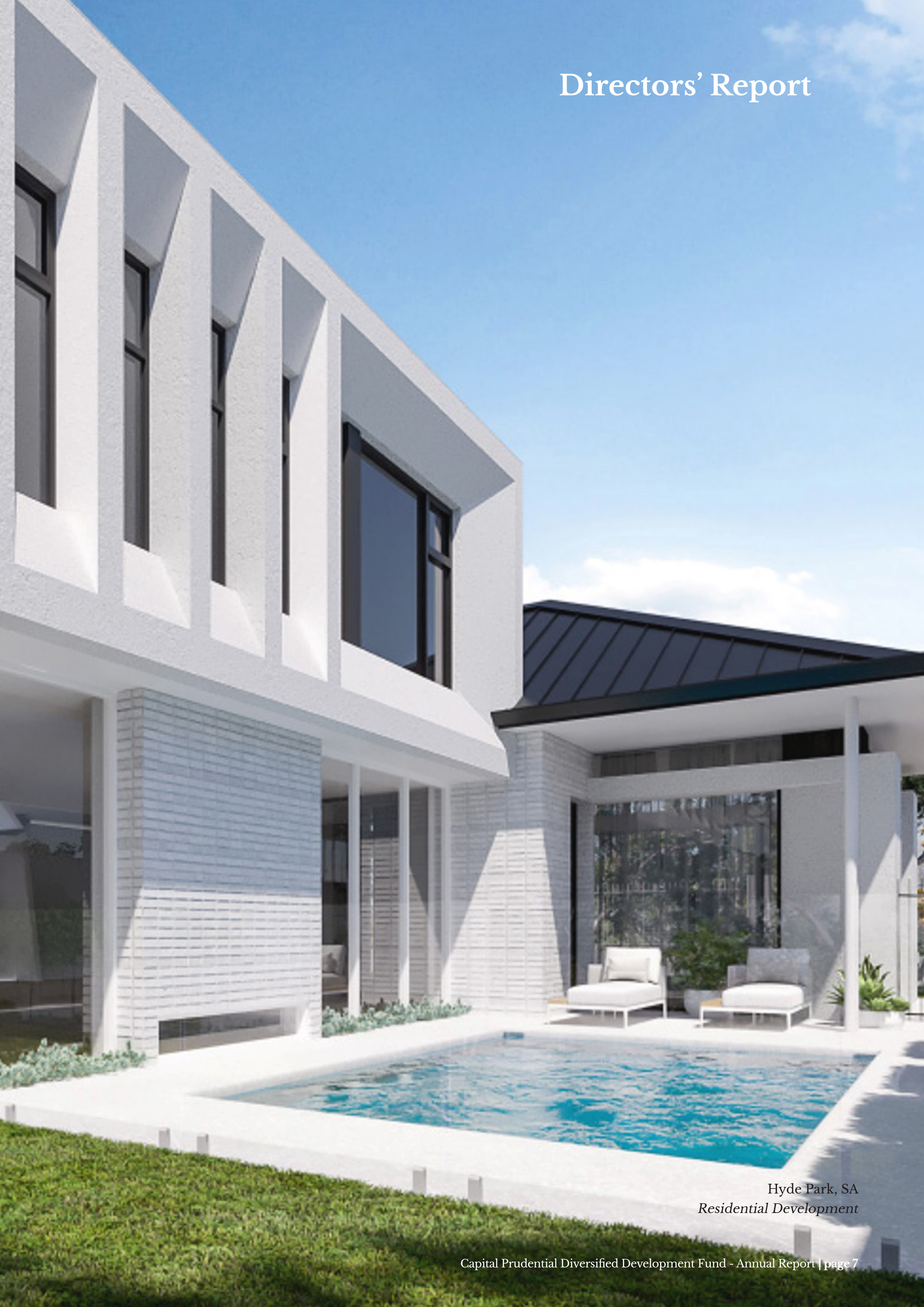
Compliance Report

Notes in relation to Non-GAAP measurement

The Fund finances the development of commercial and urban infill residential developments for the purpose of sale on completion. Under the current Australian Accounting Standards the Fund's activities fall outside AASB 140 Investment Property which prescribes the accounting treatment for investment properties that are being constructed or developed for future use as investment property and related disclosure requirements which allow entities to measure their investment properties at fair value.

As the Fund is developing property for sale in the ordinary course of business it must adopt AASB 102 Inventories which requires the Fund to recognise all property developments at the lower of cost or net realisable value regardless of whether the properties are a vacant site awaiting development or are a fully completed commercial property or residential dwelling ready for sale.

Directors' Report



Hyde Park, SA
Residential Development

Directors' Report

The Directors of Capital Prudential Diversified Development Fund Pty Ltd ('the trustee') ACN 636 283 219 present their report, together with the financial statements of the Group, being Capital Prudential Diversified Development Fund Unit Trust ('the Fund') ABN 89 431 200 517 and its controlled entities ('the Group'), for the financial year ended 30 June 2023.

1. General information

Information on Directors

The names of each person who has been a Director during the year and to the date of this report are:

Philip Riquier
Sam Moore
Jarrad Haynes
Michael Tilley
Timothy Foster

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

The principal activities of the Group are to invest funds in the development of commercial and urban infill residential developments within the risk management framework developed by the Directors.

2. Operating results and review of operations for the year

Review of operations

During the financial year, the Group derived revenue of $36,371,282 from the sale of 58 properties, associated builder rebates and recovery of project costs, generating a gross profit margin of 19.16%.

As at 30 June 2023, the value of the development portfolio stands at $71,951,822 at cost. Each property acquired during the period was a complying development or had received development approval from the relevant local government authority prior to purchase.

The Group is focused on building its network of experienced Development Managers that are suitably incentivised to deliver well managed profitable projects on a risk reward sharing basis. In addition, the Fund continues to broaden the number and type of development funders it can use to support its growth targets.

The Group reported a consolidated operating profit before distributions to unitholders of $3,919,656 for the year ended 30 June 2023 (2022: $3,580,183). The Fund's principal objective is to create value through the development and sale of commercial and urban residential properties with an expected development cycle averaging from 12 to 18 months.

The Group undertakes each of its property developments within separate subsidiary Unit Trusts.

Each subsidiary Unit Trust accounts for a majority of the costs relating to each property being developed as Inventory. In accordance with accounting standards, certain presale costs must be expensed and not capitalised into inventory. For this reason, each subsidiary Unit Trust will usually report an accounting loss during the development period up until the developed property is sold.

Upon consolidation, this accounting treatment, combined with the impact of the elimination of intercompany interest charged by the Fund to each subsidiary Unit Trust, has resulted in the Group reporting losses in prior years as distributions payable on property sales exceeded consolidated profit. In the year ended 30 June 2023, distributions payable have been declared equivalent to consolidated profit, resulting in a break-even consolidated result. Notwithstanding the Group's reported accumulated loss position, generated from prior year losses, the financial statements have been prepared on a going concern basis as the Directors are confident of the Group's ability to complete each property development and to sell each developed property for a profit.

Directors' Report

Secured Income Notes and Capital Notes
The Fund issued Secured Income Notes and Capital Notes worth $42,638,254 during the financial year and redeemed $10,297,032.

Distributions to Unit Holders
Capital Prudential Diversified Development Fund distributed $3,919,656 (2022: $3,760,095) for the year ended 30 June 2023. For the year ended 30 June 2023 the distribution to unitholders is similar to the consolidated operating profit before distributions to unitholders. Not all of these distributions were paid in cash during the year.

3. Other items

Significant changes in state of affairs
There have been no significant changes in the state of affairs of entities in the Group during the year.

Events after the reporting date
Subsequent to the end of the financial year, the Group has acquired one development property for a total consideration of $9,665,501 and sold one development property for a total consideration of $1,453,657.

The Group has issued $15,100,155 and redeemed $1,710,121 of Secured Income Notes since the end of the financial year. The Group also issued $7,192 of Capital Notes issued on a five-year term.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments and results
Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report.

Environmental issues
The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

However, all existing residential development sites are subject to desktop environmental due diligence prior to purchase. While commercial sites being developed into a residential land use are subject to a Detailed Site Investigation and subsequent Environmental Audit sign off as required.

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

Director:
Philip Riquer

Director:
Jarrad Haynes

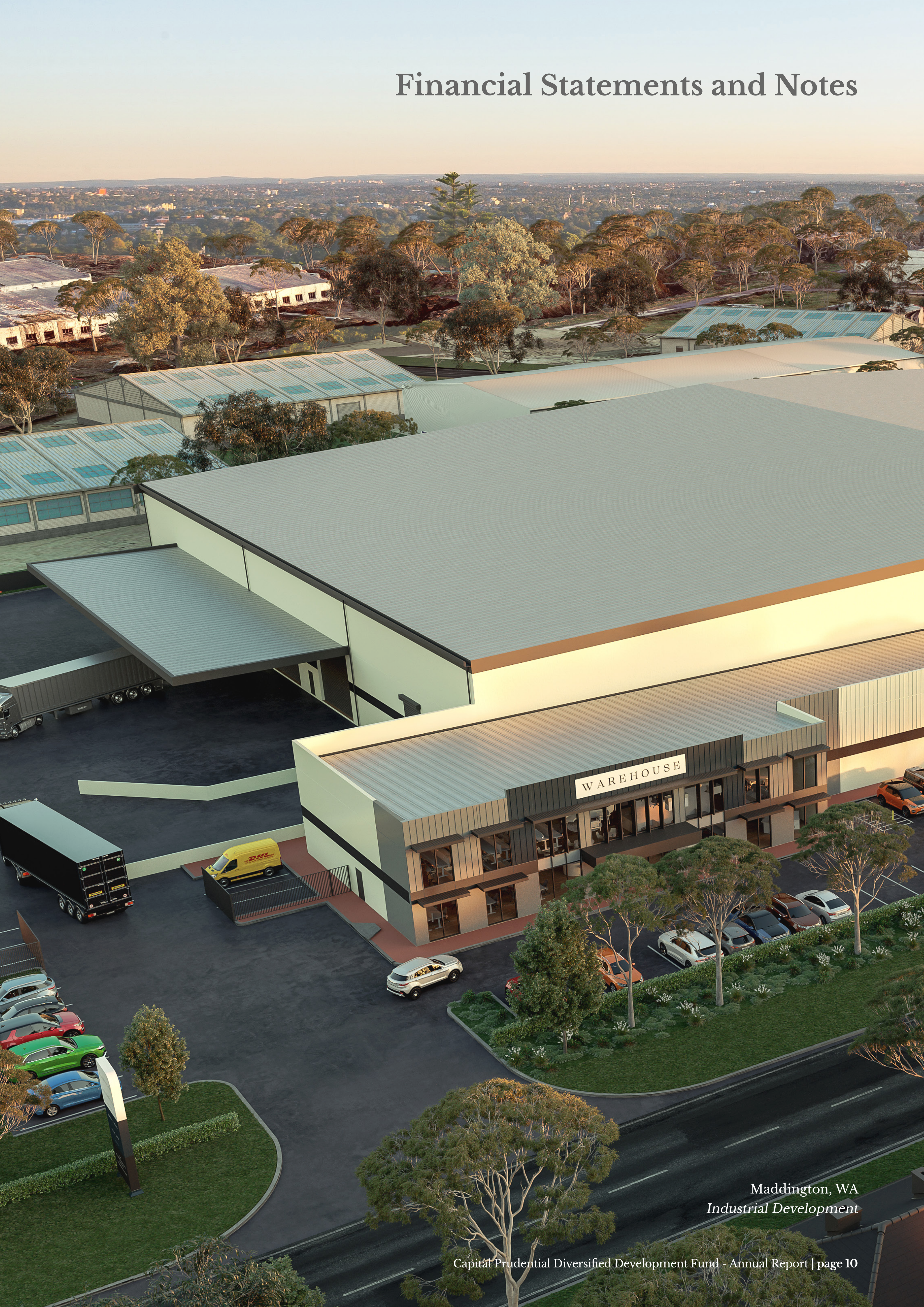
Director:
Michael Tilley

Director: T.H. Foster
Timothy Foster

Director:
Sam Moore

Dated this 28th day of September 2023

Financial Statements and Notes



Maddington, WA
Industrial Development

Statements of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2023

		Consolidated		Parent	
	Note	2023 $	2022 $	2023 $	2022 $
Revenue from contracts with customers	5	36,371,282	19,209,447	-	-
Cost of sales	6	(29,403,739)	(14,725,412)	-	-
Gross profit		6,967,543	4,484,035	-	-
Distribution from Controlled entities		-	-	4,897,218	3,699,320
Other income	5	61,543	173,761	6,121,550	1,190,827
Expenses					
Selling costs	7	(2,162,920)	(825,029)	-	-
Administrative expenses		(946,510)	(250,617)	(1,023,796)	(274,964)
Other expenses		-	(1,967)	-	(1,967)
Total Expenses		(3,109,430)	(1,077,613)	(1,023,796)	(276,931)
Interest expenses		-	-	(4,098,118)	(853,121)
Operating profit for the year before distributions to unitholders of the Fund		3,919,656	3,580,183	5,896,853	3,760,095
Distributions to unitholders of the Fund		(3,919,656)	(3,760,095)	(3,919,656)	(3,760,095)
Profit / (loss) for the year		-	(179,912)	1,977,198	-
Other comprehensive income for the year		-	-	-	-
Total profit / (loss) and other comprehensive income for the year		-	(179,912)	1,977,198	-

The accompanying notes form part of these financial statements.

Statements of Financial Position

For the Year Ended 30 June 2023

		Consolidated		Parent	
	Note	2023 $	2022 $	2023 $	2022 $
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	9	5,584,279	4,780,457	5,289,969	4,509,921
Trade and other receivables	10	7,273,917	3,151,709	4,713,849	1,585,323
Inventories	12	57,429,050	21,810,553	-	-
Loans to controlled entities		-	-	41,069,341	-
TOTAL CURRENT ASSETS		70,287,246	29,742,719	51,073,159	6,095,244
NONCURRENT ASSETS					
Investments in controlled entities		-	-	21	8
Inventories	12	14,522,772	15,730,078	-	-
Loans to controlled entities		-	-	9,884,208	16,149,096
TOTAL NONCURRENT ASSETS		14,522,772	15,730,078	9,884,229	16,149,104
TOTAL ASSETS		84,810,018	45,472,797	60,957,388	22,224,348
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	11	5,691,983	3,553,302	5,133,982	2,102,660
Borrowings	13	21,949,323	18,040,636	-	-
Notes issued	14	12,384,387	8,678,213	12,384,387	8,678,213
Loan from parent		1,333,411	-	1,333,411	-
TOTAL CURRENT LIABILITIES		41,359,104	30,272,151	18,851,780	10,780,873
NONCURRENT LIABILITIES					
Borrowings	13	3,600,000	4,014,668	-	-
Notes issued	14	39,803,410	11,138,474	39,803,410	11,138,474
TOTAL NONCURRENT LIABILITIES		43,403,410	15,153,142	39,803,410	11,138,474
TOTAL LIABILITIES		84,762,514	45,425,293	58,655,190	21,919,347
NET ASSETS / (NET LIABILITIES)		47,504	47,504	2,302,198	325,001
EQUITY					
Units issued		325,001	325,001	325,001	325,001
Retained earnings/(Accumulated losses)		(277,497)	(277,497)	1,977,198	-
TOTAL EQUITY		47,504	47,504	2,302,199	325,001

The accompanying notes form part of these financial statements.

Statements of Changes in Equity

For the Year Ended 30 June 2023

Consolidated	Units issued $	Accumulated losses $	Total $
Balance at 1 July 2022	325,001	(277,497)	47,504
Loss for the year	-	-	-
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	-	-
Transactions with unitholder			
Transfer of units issued due to change of trust deed	-	-	-
New issue of units	-	-	-
Total transactions with unitholder	-	-	-
Balance at 30 June 2023	325,001	(277,497)	47,504
Balance at 1 July 2021	-	-	-
Loss for the year	-	(179,912)	(179,912)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(179,912)	(179,912)
Transactions with unitholder			
Transfer of units issued due to change of trust deed	1	(97,585)	(97,584)
New issue of units	325,000	-	325,000
Total transactions with unitholder	325,001	(97,585)	227,416
Balance at 30 June 2022	325,001	(277,497)	47,504

The accompanying notes form part of these financial statements.

Statements of Changes in Equity (continued)

For the Year Ended 30 June 2023

Parent

	Units issued $	Retained earnings $	Total $
Balance at 1 July 2022	325,001	-	325.001
Profit for the year	-	1,977,198	1,977,198
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	1,977,198	2,302,199
Transactions with unitholder			
Transfer of units issued due to change of trust deed	-	-	-
New issue of units	-	-	-
Total transactions with unitholder	-	-	-
Balance at 30 June 2023	325,001	1,977,198	2,302,199

	Units issued $	Retained earnings $	Total $
Balance at 1 July 2021	-	-	-
Profit for the year	-	-	-
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	-	-
Transactions with unitholder			
Transfer of units issued due to change of trust deed	1	-	1
New issue of units	325,000	-	325,000
Total transactions with unitholder	325,001	-	325,001
Balance at 30 June 2022	325,001	-	325,001

The accompanying notes form part of these financial statements.

Statements of Cash Flows

For the Year Ended 30 June 2023

	Note	Consolidated 2023 $	Consolidated 2022 $	Parent 2023 $	Parent 2022 $
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers		34,981,359	17,583,708	-	-
Payments to suppliers and employees		(63,891,976)	(46,379,176)	(1,063,860)	(319,197)
Other revenue		-	692,050	6,121,795	1,198,743
Interest paid to Secured Income Note holders		(3,148,068)	(507,365)	(3,148,068)	(507,365)
Distribution income received		-	-	1,811,877	2,149,906
Finance costs		(2,494,281)	(739,241)	-	-
Net cash provided by/(used in) operating activities	18(a)	(34,552,966)	(29,350,024)	3,721,744	2,522,087
CASH FLOWS FROM INVESTING ACTIVITIES:					
Loans to controlled entities		-	-	(38,780,639)	(14,231,023)
Repayments from controlled entities		-	-	3,976,187	-
Purchase of investments		-	-	(13)	-
Net cash provided by/(used in) investing activities		-	-	(34,804,465)	(14,231,023)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from issue of units		-	325,000	-	325,000
Proceeds from the issue of Secured Income Notes		39,571,322	17,817,544	39,571,322	17,817,544
Repayment of redeemed Secured Income Notes		(10,097,032)	(775,000)	(10,097,032)	(775,000)
Proceeds from borrowings		37,258,101	23,883,009	1,333,411	-
Repayment of borrowings		(32,430,671)	(6,024,969)	-	-
Proceeds from the issue of Capital Notes		3,066,932	213,456	3,066,932	213,456
Repayment of redeemed Capital Notes		(200,000)	-	(200,000)	-
Distribution paid to unitholder		(1,811,864)	(2,149,977)	(1,811,864)	(2,149,977)
Net cash provided by financing activities	18(b)	35,356,788	33,289,063	31,862,769	15,431,023
Net increase in cash and cash equivalents held		803,822	3,939,039	780,048	3,722,087
Cash and cash equivalents at beginning of year		4,780,457	841,418	4,509,921	787,834
Cash and cash equivalents at end of the year	9	5,584,279	4,780,457	5,289,969	4,509,921

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2023

1. General Information

Capital Prudential Diversified Development Fund (the Fund) is an unregistered managed investment scheme established on 24 September 2019. The Trustee of the Fund is Capital Prudential Diversified Development Fund Pty Ltd (the Trustee) ACN 636 283 219.

The registered office is Level 2, 180 Flinders Street, Adelaide SA 5000. The principal place of business is Suite 103, 147 Pirie Street, Adelaide SA 5000.

The principal activity of the Fund and its controlled entities (the Group) is to invest funds in the development of commercial and urban in fill residential property developments within the tight risk management framework developed by the Directors, who have considerable experience undertaking similar property developments to derive value for the Fund.

The Fund is open ended unless terminated on Vesting Day. Vesting Day means the first to occur of:

a) in the case of any Assets of the Trust Fund subject to a perpetuity period, the day before the expiry of that perpetuity period;

b) any date determined to be the Vesting Date by an Extraordinary Resolution of Unitholders; and

c) any date which the Trustee in its absolute discretion appoints by writing or oral resolution as the Vesting Day.

This is a for profit Consolidated Group for the purpose of preparing the financial statements.

The financial statements were authorised for issue by the Directors of the Trustee on 28 September 2023.

Basis of Preparation

The general purpose financial statements of the Fund have been prepared in accordance with the deed of the Capital Prudential Diversified Development Fund Unit Trust and the Australian Accounting Standards and Interpretations, and comply with other requirements of the law.

These financial statements comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board.

These financial statements are prepared in Australian dollars, which is the Fund's functional currency.

The financial statements have been prepared on an accrual basis and are based on historical costs unless otherwise stated in the notes. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Going concern basis

During the period ended 30 June 2023, the Group:

a) generated an operating profit before distribution paid to unitholders of $3,919,656;

b) incurred a net profit after distribution to unitholders of $nil. In prior periods the Group incurred a net loss after distributions, due to the Parent entity's operating profit for the year before distributions being greater than that Consolidated operating profit before distributions and all profits at a Parent company level being distributed and recorded as equivalent distributions in the Consolidated accounts. This difference was due to operating costs of the Parent being recovered from interest charges by the Parent to the Subsidiary Unit Trusts, however, these intercompany interest charges are eliminated upon consolidation. In the year ended 30 June 2023 distributions equated to the consolidated net profit of the group; and

c) had an operating cash outflow of $34,552,966 reflecting the significant investment the Fund made in inventory during the year, funded by bank debt, Secured Income Notes and Unsecured Capital Notes.

Notes to the Financial Statements

For the Year Ended 30 June 2023

As at 30 June 2023, the Group has a net asset position of $47,504.

The Group's current assets as at 30 June 2023 included available cash reserves of $5,584,279, $57,429,050 current inventories and other current assets of $7,273,917. Total current liabilities were $41,564,068 which are exceeded by total current assets by $28,723,178.

The Fund's principal objective is to create value through the development and sale of urban residential and commercial properties with an expected development cycle averaging from 12 to 18 months. During the financial year, the Fund derived revenue of $36,371,282 from the sale of 58 properties, associated builder rebates and recovery of project costs. Subsequent to year end, the Fund issued $15,100,155 and redeemed $1,710,121 of Secured Income Notes and issued $7,192 of Capital Notes on a five-year term.

Management has prepared a cash flow forecast for the next twelve months from the date of approval of the annual financial statements which indicates that the Group will have sufficient funds available to continue as a going concern. The cash flow forecast assumes the majority of current developments are completed and sold within the next 12 months and forecasted to generate profits on sale. For the above reasons, the Directors have prepared the financial statements on a going concern basis.

2. Summary of Significant Accounting Policies

(a) Basis for consolidation

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of the Fund as at 30 June 2023 and the results of all controlled entities for the year then ended.

Controlled entities are entities controlled by the Group. The Group controls an entity when it 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 over the entity. The financial statements of controlled entities are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

A list of controlled entities is contained in Note 15 to the financial statements.

All transactions and balances between the Group entities are eliminated on consolidation, including unrealised gains and losses on transactions between the Group entities. When unrealised losses on intra group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the consolidated financial statements have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

(b) Revenue and other income

Sale of Property

Revenue from the sale of development properties is recognised when the customers obtain control of the property once settlement has occurred. The normal terms of settlement are between 30 to 60 days and there are no discounts or other items which would impact the purchase consideration. Due to the nature of property sales there are no rights to return for the customer after settlement.

Rental income

Rental income from leases is recognised when due and payable over the term of the relevant lease.

Rebate income

Rebates are fees paid by the builder to the Fund on properties sold as house and land packages. The rebates paid represent the total house and land purchase price less the combination of the contracted land price between the Fund and the purchaser and the build contract price between the builder and the purchaser. Rebate income is recognised when the customers obtain control of the land once settlement has occurred.

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

Notes to the Financial Statements

For the Year Ended 30 June 2023

(c) Taxation

Under current income tax legislation the Fund is not liable to pay income tax as the net income of the Fund is assessable in the hands of the beneficiaries (the unitholders) who are 'presently entitled' to the income of the Fund, and the Fund is part of a tax consolidated group with the head entity being Capital Prudential Pty Ltd, which owns 100% of the Fund. There is no income of the Fund to which the unitholders are not presently entitled.

As a result, deferred taxes have not been recognised in the financial statements in relation to difference between the carrying amounts of the assets and liabilities and their respective tax bases.

(d) Borrowing costs

Borrowing costs relate to the interest and other associated costs incurred in connection with the borrowing of funds to finance the land and property development activities of the Fund.

Borrowing costs are eligible for capitalisation if they are directly attributable to the acquisition or construction of a qualifying asset. The Directors consider the land and property developments that are held for resale to be qualifying assets under AASB 123 and all directly attributable borrowing costs are added to the cost base of those assets, until such time as the assets are substantially ready for their intended use of sale.

(e) Goods and services tax (GST)

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

Receivables and payables are stated inclusive of GST.

Cash flows in the statement of cash flows are included 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 taxation authority, is classified as operating cash flows.

(f) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(g) Trade and Other Receivables

Trade receivables are recognised initially at the transaction price (i.e. cost) and are subsequently measured at cost less provision for impairment. Receivables expected to be collected within twelve months of the end of the reporting year are classified as current assets. All other receivables are classified as non current assets.

At the end of each reporting year, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in the profit or loss statement. Refer to note 2(k) for detail around application of AASB 9 and the three stage expected credit loss model, where impairment is determined based on the credit risk profile.

(h) Inventories

Inventories consist of land held for development and sale and are valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Borrowing costs and holding charges incurred after the development is completed, are expensed. Profits are brought to account on the settlement of contract of sale.

(i) Trade and Other Payables

Trade and other payables represent the liabilities at the end of the reporting year for goods and services received by the Fund that remain unpaid.

Trade payables are recognised at their transaction price. Trade payables are obligations on the basis of normal credit terms.

Notes to the Financial Statements

For the Year Ended 30 June 2023

(j) Impairment of non financial assets

At the end of each reporting year, the Fund reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

(k) Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

Trade receivables

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Group comprise trade payables, bank and other loans and lease liabilities.

(l) Distributions

In accordance with the trust deed of the Fund, the Fund distributes its distributable income to unitholders by the way of cash.

Notes to the Financial Statements

For the Year Ended 30 June 2023

(m) Units issued

The Fund classifies instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund has only one class of units on issue. The units issued are the most subordinate class of financial instruments issued by the Fund and, on liquidation of the Fund, they entitle the holders to the residual net assets, after repayment of the nominal amount of equity shares. They rank pari passu in all respects and have identical terms and conditions.

Financial instruments that impose an obligation to deliver to another party a pro rata share of the net assets only on liquidation is classified as equity if it meets all of the following conditions:

- it entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instruments.

On 30 June 2022, there was an amendment to the Trust Deed by allowing the Trustee to determine the amount of distributable income. As a result, units issued meet these conditions and are classified as equity.

3. Critical Accounting Estimates and Judgments

The Directors evaluate 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 Fund.

Judgements used within the financial statements include forecast costs to complete used to assess the valuation of inventory whether the Group has de facto control over an investee.

4. Operating Segments

Management currently identifies that there is only one operating segment. This has been determined given the Group has one main objective which is delivered through the development of residential and commercial property sites across Australia.

Notes to the Financial Statements

For the Year Ended 30 June 2023

5. Revenue and Other Income

Revenue from continuing operations

	Consolidated		Parent	
	2023 $	2022 $	2023 $	2022 $
Revenue from contracts with customers				
Sale of properties	30,540,496	16,267,670	-	-
- Builder Rebates	4,912,598	2,312,727	-	-
- Recovery of project costs	918,188	629,050	-	-
Total revenue from contracts with customers	36,371,282	19,209,447	-	-
Other Income				
Rental income	-	100,000	-	-
Other income	61,543	73,761	2,450	-
Interest from controlled entities	-	-	6,119,100	1,190,827
Total other income	61,543	173,761	6,121,550	1,190,827

The Group has assessed that there are no contract liabilities recognised in relation to revenues earned during the year.

6. Cost of Sales

Site acquisition	36,886,699	35,223,901	-	-
Development	4,158,433	1,596,226	-	-
Construction	14,764,236	6,699,766	-	-
Holding costs	637,579	260,150	-	-
Borrowing costs	7,367,310	2,448,045	-	-
Movement in inventory held	(34,410,518)	(31,502,676)	-	-
Total cost of sales	29,403,739	14,725,412	-	-

7. Selling Costs

Other selling costs	789,125	514,128	-	-
Sales commission	1,373,795	310,901	-	-
Total selling costs	2,162,920	825,029	-	-

8. Auditors' Remuneration

	Consolidated		Parent	
	2023 $	2022 $	2023 $	2022 $
Auditors of the Group: KPMG				
Audit of the financial statements	53,000	46,200	53,000	46,200
Other services – Accounting advice	-	12,000	-	12,000

9. Cash and Cash Equivalents

Cash at bank and in hand	5,584,279	4,780,457	5,289,969	4,509,921

10. Trade and Other Receivables

CURRENT				
Trade receivables	6,153,131	2,624,157	-	-
GST refundable	18,603	33,902	63,677	20,502
Distribution receivable	-	-	4,649,662	1,564,321
GST Property Credits withheld	1,101,673	493,150	-	-
Prepayment	510	500	510	500
Total trade and other receivables	7,273,917	3,151,709	4,713,849	1,585,323

11. Trade and Other Payables

CURRENT				
Trade payables	765,126	792,754	37,711	477,565
Accrued expenses	1,193,962	1,135,453	1,363,383	1,625,095
Unitholder distributions unpaid	3,732,895	1,625,095	3,732,888	-
Total trade and other payables	5,691,983	3,533,302	5,133,982	2,102,660

Trade and other payables are unsecured, non interest bearing and are normally settled within 30 days or in the case of property, 60 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short term nature of the balances.

Accrued expenses comprise:

- Notes interest accrued but not payable per the Note Deed Poll until after year end; and
- Accruals for building works completed for which an invoice has not been received.

Unitholder distributions unpaid comprise of unit holder distributions that have not been paid out in cash as at year end.

Notes to the Financial Statements

For the Year Ended 30 June 2023

12. Inventories

	Consolidated		Parent	
	2023 $	2022 $	2023 $	2022 $
At cost:				
Acquisition costs	51,119,561	30,090,053	-	-
Development costs	14,948,347	5,513,173	-	-
Holdings costs	188,410	152,172	-	-
Borrowing costs	5,695,504	1,785,233	-	-
Total inventories	71,951,822	37,540,631	-	-

Within the inventory balance there is $5,695,504 (2022: $1,785,233) of interest and other finance costs capitalised. This has been included within the cost build up of inventory on the basis that due to the nature of the property development process, there is a period of time required to develop the inventory ready for its intended use or sale. Interest is expensed once a property development is completed and available to be sold to an external party.

All inventories held by the Group are land held for sale, broken down as:

CURRENT Developments in progress	57,429,050	21,810,553	-	-
NON CURRENT Developments in progress	14,522,772	15,730,078	-	-
Total developments in progress	71,951,822	37,540,631	-	-

13. Borrowings

CURRENT			-	-
Secured liabilities:			-	-
Bank loans	21,949,323	18,040,636	-	-
Total current borrowings	21,949,323	18,040,636	-	-
NON CURRENT			-	-
Secured liabilities:				
Bank loans	3,600,000	4,014,668		
Total non current borrowings	3,600,000	4,014,668		
Total borrowings	25,549,323	22,055,304		

Notes to the Financial Statements

For the Year Ended 30 June 2023

Summary of borrowing arrangements
The Fund has separate loan facilities for each development with various banks and other lenders. The facilities are secured by a first mortgage over each property, with a total inventory carrying value of $64,081,799 (2022: $37,540,631).

The combined maximum facility limit as at 30 June 2023: $35,408,705 (2022: $27,087,500). Total amount drawn on these facilities as at 30 June 2023: $25,549,323 (2022: $22,055,304). The total amount available to draw as at 30 June 2023 under these facilities was $9,859,382 (2022: $5,032,196).

The facilities for property developments are repaid upon settlement of the sale of the developed property which generally falls within 12 months of purchase settlement.

Interest on the facilities is calculated and paid monthly and calculated on a base rate plus a floating interest element. The interest charged on current facilities held ranges between 4.92% and 6.95% per annum.

14. Notes issued

	Consolidated		Parent	
	2023 $	2022 $	2023 $	2022 $
CURRENT Secured Income Notes	12,384,387	8,678,213	12,384,387	8,678,213
NON CURRENT Secured Income Notes	36,723,022	10,925,018	36,723,022	10,925,018
Capital Notes	3,080,388	213,456	3,080,388	213,456
Total non-current Notes	39,803,410	11,138,474	39,803,410	11,138,474
Total	52,187,797	19,816,687	52,187,797	19,816,687

A. Maturity schedule
As at 30 June 2023, the maturity profile for notes issued is as follows:

Maturity	Secured Income Notes	Capital Notes	30 June 2023 Carrying amount
Less than 1 year	12,384,387	-	12,384,387
One to two years	23,873,155	-	23,873,155
Two to three years	12,849,867	-	12,849,867
More than three years	-	3,080,388	3,080,388
Total	49,107,409	3,080,388	52,187,797

B. Secured Income Notes

Issue amount

The Trustee continuously issues new Secured Income Notes in line with its ongoing development funding requirements. Further issue of notes may occur whether or not the full amount sought from any issue of Secured Income Notes is raised.

Security

Under the General Security Deed, the Fund has pledged its collateral (all present and after acquired property) in favour of CP Note Security Trust (a wholly owned subsidiary of Capital Prudential Pty Ltd being the sole Unitholder of the Fund) which holds the security on behalf of all Secured Income Note Holders.

Structure

Secured Income Notes are:

- fully paid, registered, secured debt obligations of the Trustee;
- subordinated to claims of senior creditors of the Fund including bank debt; and;
- limited recourse to the Fund property and the Trustee's liability to Noteholders is limited to its indemnity from the Fund.

Issue price

Secured Income Notes have an issue price of $1.00 per note. This value is repayable at maturity or on earlier redemption of the note.

Interest

The interest rate for a particular offer applies to Secured Income Notes to be issued on the date for that offer. The interest rate for Secured Income Notes may differ from the interest rate for any notes previously or subsequently issued (including any that may be issued by the Trustee on reinvestment by a noteholder of their interest or repayments). The interest is calculated monthly and paid quarterly. The average interest rate paid and / or committed on Secured Income Notes issued during the year ended 30 June 2023 was 10.51%.

Noteholders may elect to re invest their returns in further Secured Income Notes on offer by the Trustee or receive cash payments quarterly.

Term of investment

The Secured Income Notes issued mature between 6 months - 3 years from their issue date or, the trustee may elect to repay Secured Income Notes to Noteholders at any time after 6 months from their issue. This early repayment will only occur if the Trustee does not have further complying investments for the Fund to invest in and if the Fund has surplus liquid funds.

Noteholders may request a redemption of some or all of their Secured Income Notes at any time. The Trustee will use its reasonable endeavours to meet redemption requests subject to the Fund's liquidity. However, the Trustee is not required to meet early redemption requests. Redemption requests will be prioritised on a first come basis without regard to when the Secured Income Notes were issued.

Transfer

Secured Income Notes are transferable to other sophisticated/wholesale investors.

B. Capital Notes

Capital Notes contains the following features:

- Call date of 5 years from the date of issue.
- Early redemption right can be exercised either by the Fund or by the noteholder (subject to the Fund's approval). Depending on the party who initiated the redemption right and the timing of requesting redemption, the redemption price can range from $0.97 per note to $1.06 per note.
- Mandatory exchange will happen 7 years from the issue date or immediately upon the occurrence of a Capital Trigger Event (Mandatory Exchange Date). On the Mandatory Exchange Date, the Fund will allot and issue variable number of units for each note held by the note holder, subject to the maximum exchange number determined in the Note Deed. The number of units to be issued will depend on the unit price on the Mandatory Exchange Date.

Notes to the Financial Statements

For the Year Ended 30 June 2023

The interest rate for a particular offer applies to Capital Notes to be issued on the date for that offer. The interest rate for Capital Notes may differ from the interest rate for any notes previously or subsequently issued (including any that may be issued by the Trustee on reinvestment by a noteholder of their interest or repayments). The interest is calculated monthly and paid quarterly. The average interest rate paid and / or committed on Capital Notes on issue during the year ended 30 June 2023 was 14.38%.

15. Controlled Entities

The Fund has investments in the following controlled Trusts:

	Percentage Owned (%) 2023	Percentage Owned (%) 2022
Controlled entities:		
57 Anglesey Avenue St Georges Unit Trust	-	100
5 Inverloch Avenue Torrens Park Unit Trust	-	100
1 Grandview Grove Dulwich Unit Trust	-	100
21 and 23 Gertrude Street Norwood Unit Trust	100	100
13 Wooltana Avenue Myrtle Unit Trust	100	100
CP 5AS Unit Trust	100	100
56 Queen Street Norwood Unit Trust	100	100
CP 97CS Unit Trust	100	100
44PS Unit Trust	100	100
CP 8GT Unit Trust	100	100
CAP PRU 19BR Unit Trust	100	100
15 Wool Mbank Unit Trust	100	100
CP 44WA Unit Trust	100	100
NT No1 Unit Trust	100	100
CP 10MR Unit Trust	100	100
25 Loam Street Acacia Ridge Unit Trust	100	100
39 Rusk BBay Unit Trust	100	100
3 Delmore Street Unit Trust	100	100
9 Marvell Street Byron Bay Unit Trust	100	100
123Newco Unit Trust	100	100
125 Jonson Street Byron Bay Unit Trust	100	100
WA No 1 Unit Trust	100	-
CP 19 CommonB Unit Trust	100	-
CP 148 JonsonStBB Unit Trust	100	-
CP 3 BelvederePR Unit Trust	100	-
CP 292 WaterfordW Unit Trust	100	-
CP WA No 2 Unit Trust	100	-
CP WA No 3 Unit Trust	100	-
CP 79 EumundiN Unit Trust	100	-
BBP Leasing Unit Trust	100	-
CP 179ColacG Unit Trust	100	-
CP 53SunshineSA Unit Trust	100	-

Notes to the Financial Statements

For the Year Ended 30 June 2023

16. Capital Commitments

Capital commitments relate to fixed build contracts totalling $26,935,706 where funds have been committed but the property developments have not yet been completed.

17. Related Party Transactions

Directors of the Trustee and Directors of the Unitholder of the Fund, or their related parties, hold positions in other companies that result in them having control or joint control over these entities.

A number of these entities transacted with the Group during the period. The terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non related entities on an arm's length basis.

The Fund's related party transactions include those with its Trustee and Directors of the Trustee and others as described below. These transactions included management service fees, development management fees, interest payments and Secured Income Notes funding issued by the Fund.

The Fund employs no management personnel, with management of the Fund provided by Capital Prudential Pty Ltd under the terms of the Trust Management Agreement.

The following transactions occurred with related parties:

Consolidated

	Transaction Values 2023 $	Balance Outstanding 2023 $	Transaction Values 2022 $	Balance Outstanding 2022 $
Transactions with ultimate parent entity[1]:				
- Capital management fee	(2,143,137)	61,194	(698,768)	(698,768)
- Fund manager fee	(267,225)	-	(93,467)	-
- Director's personal guarantee fee	(6,667)	-	(201,337)	-
- Pre-settlement and expense reimbursement	(2,270,327)	-	(339,147)	-
- Accounting and administrative fees	(353,617)	-	(86,264)	-
- Loan from parent	(1,333,411)	(1,333,411)	-	-
Transactions with key management personnel of the Fund or its related parties[2]:				
- Redemption / (subscription) of Secured Income Notes	380,000	(2,101,057)	(1,721,141)	(2,631,141)
- Interest on Secured Income Notes	(371,010)	(49,916)	(109,851)	(41,661)
- Director's guarantee fee	(369,296)	-	(190,391)	-
Transactions with other related parties[3]:				
- Development management fee	(789,476)	-	(475,182)	-
- Pre-settlement and expense reimbursement	(876,223)	-	(1,614,605)	-
- Interest on pre-settlement expense	-	-	(30,987)	-

Notes to the Financial Statements

For the Year Ended 30 June 2023

[1.] Capital Prudential Pty Ltd is the ultimate parent of the Fund.

Capital Prudential Pty Ltd funds all costs related to secure and de-risk a development site (pre-settlement costs) so that each site can meet the investment criteria for purchase by the Fund. These costs comprise any deposits or option fees, due diligence costs such as environmental reports, consulting services including architects, engineers, traffic and other consultants as may be required, planning approval costs, costs incurred to secure legally binding long-term agreements for lease for commercial property and, costs incurred to secure a qualifying levels of pre-sales for residential property. If a site is successfully de-risked, Capital Prudential Pty Ltd's upfront investment is refunded at cost by the Fund on settlement of the property.

Capital Prudential Pty Ltd made a number of payments during the period in relation to property acquisition and development costs prior to settlement. Where the property was subsequently purchased at cost by the Fund these costs were reimbursed by the Fund after settlement of each property.

Capital Prudential Pty Ltd entered into a unitholder loan agreement with the Fund in order to maintain its interest not less than 10% of the asset base (excluding cash) of the Fund under the Fund's valuation policy. The loan facility is unsecured, interest bearing at 10% per annum and repayable in at call. As at 30 June 2023, the loan outstanding amounted to $1,333,411, including accrued interest (2022: $Nil).

[2.] Some Directors of the Trustee company have provided personal guarantees to banks for the borrowings of some of the Fund's controlled entities.

[3.] Capital Prudential Pty Ltd has a 50% ownership in Amulet Property Pty Ltd. Amulet Property Pty Ltd has entered into Development Management Agreements with some of the Fund's subsidiaries to provide development management services. Total development management fees paid by the Fund during the financial year amounted to $789,476. In addition, Amulet Property Pty Ltd also made several payments during the period in relation to property acquisition and development costs prior to settlement. Where the property was purchased at cost by the Fund these pre-settlement expenses were reimbursed by the Fund after settlement of each property. Total pre-settlement expenses and reimbursements for the year amounted to $876,223.

Notes to the Financial Statements

For the Year Ended 30 June 2023

18. Cash Flow Information

(a) Reconciliation of result for the period to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	Consolidated		Parent	
	2023 $	**2022 $**	**2023 $**	**2022 $**
Operating profit for the year	3,919,656	3,580,183	5,896,854	3,760,095
Changes in assets and liabilities:				
- (increase)/decrease in trade and other receivables	(2,075,299)	(3,057,792)	(3,085,351)	(1,568,556)
- (increase)/decrease in inventories	(34,411,192)	(31,502,676)	-	-
- increase/(decrease) in trade and other payables	(2,016,019)	1,680,239	880,354	380,526
- increase/(decrease) in borrowings attributable to operating activities	29,888	(49,978)	29,887	(49,978)
Cashflows provided by / (used in) operations	(34,552,966)	(29,350,024)	3,721,744	2,522,087

(b) Reconciliation of movements of liabilities to cash flow arising from financing activities

Consolidated

2023	Borrowings $	Notes issued $	Net liabilities attributable to the unitholder of the Fund $	Total $
Opening balance as at 1 July 2022	22,055,303	19,816,687	-	41,871,990
Proceeds from issue of units	-	-	-	-
Distribution paid to unitholder	-	-	(1,811,864)	(1,811,864)
Proceeds from borrowings	35,924,690	-	1,333,411	37,258,101
Repayment of borrowings	(32,430,670)	-	-	(32,430,670)
Proceeds from Secured Income Notes issued	-	39,571,322	-	39,571,322
Proceeds from the issue of Capital notes	-	3,066,932	-	3,066,932
Redemption of Secured Income notes	-	(10,097,032)	-	(10,097,032)
Redemption of Capital notes	-	(200,000)	-	(200,000)
Total changes from financing cash flows	3,494,020	32,341,222	(478,453)	35,356,788
Transaction cost amortised	-	29,888	-	29,888
Profit attributable to unitholder	-	-	3,919,656	3,919,656
Changes in distribution payable	-	-	(2,107,792)	(2,107,792)
Transfer to equity	-	-	-	-
Closing balance as at 30 June 2023	25,549,323	52,187,797	1,333,411	79,070,532

Notes to the Financial Statements

For the Year Ended 30 June 2023

18. Cash Flow Information (continued)

2022	Borrowings $	Notes issued $	Net liabilities attributable to the unitholder of the Fund $	Total $
Opening balance as at 1 July 2021	4,197,263	2,610,667	(97,584)	6,710,346
Proceeds from issue of units	-	-	325,000	325,000
Distribution paid to unitholder	-	-	(2,149,977)	(2,149,977)
Proceeds from borrowings	23,883,009	-	-	23,883,009
Repayment of borrowings	(6,024,969)	-	-	(6,024,969)
Proceeds from Secured Income Notes issued	-	17,817,544	-	17,817,544
Proceeds from the issue of Capital notes	-	213,456	-	213,456
Redemption of Secured Income notes	-	(775,000)	-	(775,000)
Total changes from financing cash flows	17,858,040	17,256,000	(1,824,977)	33,289,063
Transaction cost capitalised	-	(49,980)	-	(49,980)
Profit attributable to unitholder	-	-	3,580,183	3,580,183
Changes in distribution payable	-	-	(1,610,118)	(1,610,118)
Transfer to equity	-	-	(47,504)	(47,504)
Closing balance as at 30 June 2022	22,055,303	19,816,687	-	41,871,990

Notes to the Financial Statements

For the Year Ended 30 June 2023

18. Cash Flow Information (continued)

(b) Reconciliation of movements of liabilities to cash flow arising from financing activities

Parent

2023	Notes issued $	Net liabilities attributable to the unitholder of the Fund $	Total $
Opening balance as at 1 July 2022	19,816,687	-	19,816,687
Proceeds from issue of units	-	-	-
Distribution paid to unitholder	-	(1,811,863)	(1,811,863)
Proceeds from borrowings	-	1,333,411	1,333,411
Proceeds from Secured Income Notes issued	39,571,322	-	39,571,322
Proceeds from the issue of Capital notes	3,066,932	-	3,066,932
Redemption of Secured Income notes	(10,097,032)	-	(10,097,032)
Redemption of Capital notes	(200,000)	-	(200,000)
Total changes from financing cash flows	32,341,222	(478,452)	31,862,770
Transaction cost amortised	29,888		29,888
Profit attributable to unitholder	-	5,896,853	5,896,853
Changes in distribution payable	-	(2,115,947)	(2,115,947)
Transfer to equity	-	(1,969,043)	(1,969,043)
Closing balance as at 30 June 2023	52,187,797	1,333,411	53,521,208

2022	Notes issued $	Net liabilities attributable to the unitholder of the Fund $	Total $
Opening balance as at 1 July 2021	2,610,667	1	2,610,668
Proceeds from issue of units	-	325,000	325,000
Distribution paid to unitholder	-	(2,149,977)	(2,149,977)
Proceeds from Secured Income Notes issued	17,817,544	-	17,817,544
Proceeds from the issue of Capital notes	213,456	-	213,456
Redemption of Secured Income notes	(775,000)	-	(775,000)
Total changes from financing cash flows	17,256,000	(1,824,977)	15,431,023
Transaction cost capitalised	(49,980)	-	(49,980)
Profit attributable to unitholder	-	3,760,095	3,760,095
Changes in distribution payable	-	(1,610,118)	(1,610,118)
Transfer to equity	-	(325,001)	(325,001)
Closing balance as at 30 June 2022	19,816,687	-	19,816,687

Notes to the Financial Statements

For the Year Ended 30 June 2023

19. Financial Risk Management

		Consolidated		Parent	
		2023 $	2022 $	2023 $	2022 $
Financial assets					
Cash and cash equivalents	9	5,584,279	4,780,457	5,289,969	4,509,921
Loans to controlled entities		-	-	50,953,549	16,149,096
Trade and other receivables	10	6,171,734	2,658,059	4,713,849	1,584,823
Total financial assets		11,756,013	7,438,516	60,957,367	22,243,840
Financial liabilities					
Trade and other payables	11	5,691,983	3,553,302	5,133,982	2,102,660
Borrowings	13	**25,549,323**	22,055,304	-	-
Notes issued	14	**52,187,797**	19,816,687	52,187,797	19,816,687
Loan from parent		**1,333,411**	-	1,333,411	-
Total financial liabilities		84,762,514	45,425,293	58,655,190	21,919,347

Risk management objectives and policies
The Group is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated by management, in close co operation with the Board of Directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns. The Group does not actively engage in the trading of financial assets for speculative purposes and issues note instruments for the purpose of funding property developments. The most significant risks to which the Group is exposed are described below.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Interest rate risk
The Group is exposed to interest rate risk as funds are borrowed at floating and fixed rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group's policy is to minimise interest rate cash flow risk exposures on long term financing. Longer term borrowings are therefore usually at fixed rates. At the reporting date, the Group is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates, as set out in the following table.

Notes to the Financial Statements

For the Year Ended 30 June 2023

19. Financial Risk Management (continued)

Consolidated

	Fixed		Floating		Non-interest bearing		Total	
	2023 $	**2022 $**	**2023 $**	**2022 $**	**2023 $**	**2022 $**	**2023 $**	**2022 $**
Cash	-	-	85,000	-	5,499,279	4,780,457	5,584,279	4,780,457
Trade and other receivables	-	-	-	-	6,171,734	2,658,059	6,171,734	2,658,059
Total assets	-	-	85,000	-	11,671,013	7,438,516	11,756,013	7,438,516
Borrowings	-	-	25,549,323	22,055,304	-	-	25,549,323	22,055,304
Notes issued	52,187,797	19,816,687	-	-	-	-	52,187,797	19,816,687
Loan from parent	1,333,411	-	-	-	-	-	1,333,411	-
Total liabilities	**53,521,208**	19,816,687	25,549,323	22,055,304	-	-	79,070,531	41,871,991
Parent								
Cash	-	-	-	-	5,289,969	4,509,921	5,289,969	4,509,921
Trade and other receivables	-	-	-	-	4,713,849	1,584,823	4,713,849	1,584,823
Total assets	-	-	-	-	10,003,818	6,094,744	10,003,818	6,094,744
Notes issued	52,187,797	19,816,687	-	-	-	-	52,187,797	19,816,687
Loan from parent	1,333,411	-	-	-	-	-	1,333,411	-
Total liabilities	53,521,208	19,816,687	-	-	-	-	53,521,208	19,816,687

Notes to the Financial Statements

For the Year Ended 30 June 2023

Interest rate risk (continued)

Sensitivity analysis

The Directors have evaluated the impact of changes in market interest rates which would impact the financial performance as follows:

Interest rate fluctuations would not have impacted the net result of the Fund and its controlled entities as interest expenses were capitalised during the period.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, including outstanding receivables and committed transactions.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Liquidity risk

Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities.

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows due in property settlement. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling twelve month and three-year projection.

Long-term liquidity needs over the life of the property developments are identified and reviewed monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the period.

The Group considers expected cash flows from financial assets, being cash and receivables, in addition to the realisation from property developments in assessing and managing liquidity risk. These projected amounts and balances significantly exceed the current cash outflow requirements. The property development and settlement process typically takes between nine and eighteen months to realise the cash inflows from the development work undertaken.

Notes to the Financial Statements

For the Year Ended 30 June 2023

19. Financial Risk Management (continued)

At the end of the period, the Group's non-derivative financial liabilities have contractual maturities as summarised below:

Consolidated	Within 1 Year		1 to 5 Years		Total	
	2023 $	**2022 $**	**2023 $**	**2022 $**	**2023 $**	**2022 $**
Financial liabilities due for payment						
Trade and other payables	5,691,983	3,553,302	-	-	5,691,983	3,553,302
Borrowings - Bank	21,949,323	18,040,636	3,600,000	4,014,668	25,549,323	22,055,304
Notes issued	12,384,387	8,678,213	39,803,410	11,138,474	52,187,797	19,816,687
Loan from parent	1,333,411	-	-	-	1,333,411	-
Total contractual outflows	41,359,104	30,272,151	43,403,410	15,153,142	84,762,514	45,425,293
Parent						
Financial liabilities due for payment						
Trade and other payables	5,133,982	2,102,660	-	-	5,133,982	2,102,660
Notes issued	12,384,387	8,678,213	39,803,410	11,138,474	52,187,797	19,816,687
Loan from parent	1,333,411	-	-	-	1,333,411	-
Total contractual outflows	18,851,780	10,780,873	39,803,410	11,138,474	58,655,190	21,919,347

Notes to the Financial Statements

For the Year Ended 30 June 2023

20. Events Occurring After the Reporting Date

Subsequent to the end of the financial year, the Group has acquired one development property for a total consideration of $9,665,501 and sold one development property for a total consideration of $1,453,657.

The Group has issued $15,100,155 and redeemed $1,710,121 of Secured Income Notes since the end of the financial year. The Group also issued $7,192 of Capital Notes issued on a five-year term.

Since 30 June 2023, Capital Prudential Diversified Development Fund's parent, Capital Prudential Pty Ltd, has launched wholesale and retail unitised opportunity funds through which wholesale and retail investors will be able to invest through these funds into the Fund through a unitised structure. The launch of these funds continues the expansion of development funding sources which will support the Fund's ongoing growth.

Except for the above, no other matters of circumstances have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

21. Contingencies

In the opinion of the Directors, the Group did not have any contingencies at 30 June 2023.

22. Statutory Information

The registered office and principal place of business of the Group is:

Capital Prudential Diversified Development Fund and Controlled Entities
103/147 Pirie Street
Adelaide SA 5000

Directors' Declaration

The Directors of the Trustee Company declare that:

1. the financial statements and notes for the year ended 30 June 2023 are in accordance with the policies outlined in Note 2 and:

   a. comply with Australian Accounting Standards and section 8 of the Trust Deed, and

   b. presents fairly in all material respects of the Group's financial position as at 30 June 2023 and of its performance, for the financial year ended on that date;

2. In the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable with the continuing support of creditors.

This declaration is made in accordance with a resolution of the Board of Directors.

Director:
Philip Riquer

Director:
Jarrad Haynes

Director:
Michael Tilley

Director:
Timothy Foster

Director:
Sam Moore

Dated this 28th day of September 2023

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Our ref 54258547.1

Contact Paul Cenko | 08 8236 3288

18 October 2023

Dear Sir/Madam

Release of 30 June 2023 Audit Report in relation to Capital Prudential Diversified Development Fund on a hold harmless basis

In connection with our engagement to audit the Financial Statements of Capital Prudential Diversified Development Fund ("**Capital Prudential**") we have been asked by the Trustees to provide you with a copy of our Audit Report dated 28 September 2023 ("the **Report**").

The engagement letter between KPMG and Capital Prudential defines the scope of our work in response to the specific requirements of Capital Prudential. Your interests and needs may be different to those of Capital Prudential. We agree to make the Report available to you for informational purposes on the following conditions:

- the Report was prepared solely in accordance with the scope of work set out in the Engagement Letter dated 23 September 2022 between ourselves and Capital Prudential. Our engagement was neither planned nor conducted in contemplation of the purposes for which you require release of the Report;
- in completing our scope of work and providing the Report we have acted solely and exclusively for Capital Prudential and have owed no duty (in tort, contract or otherwise) to advise you or any other entity or person;
- other than as set out in the Engagement Letter, the Report was not intended for any other purpose (including disclosure to or use by the Recipient). KPMG has made no representation or warranty to the Recipient as to the sufficiency of the Services or otherwise with respect to the Report. Had KPMG been engaged to perform additional services or procedures, other matters might have come to KPMG's attention that may have been addressed in the Report;
- by consenting to the Report being given to you, we do not assume any duty (in tort, or contract or otherwise) to advise you or to consider your circumstances or position;
- the Report is only provided for information purposes and you are not entitled to rely and will not rely on any information, comment, observations or factual findings in the Report;

- the Report is strictly confidential and will be treated as such by you. You must ensure that our Report is not, in whole or in part, shown, copied, provided, disseminated, given to or relied on by any other person without our express written consent which may be granted at our absolute discretion and subject to conditions (except to your officers and employees or if required to do so by law, regulation or rules of any stock exchange);
- you must not name us in any report or document which will be publicly available or lodged or filed with any regulator without our prior written consent, which may be granted at our absolute discretion and be subject to conditions;
- we are under no obligation to provide you with any additional information nor to update any of the information contained in the Report;
- to the maximum extent permitted by law, we are not responsible to you or any other party for any loss you or any other party may suffer in connection with release of the Report to you;
- you release and forever discharge KPMG, its affiliated entities, and their partners, officers and employees from, and not assert against them, any action, liability, claim, suit, demand, claim for costs or expenses or any other proceedings arising out of, or in connection with, the release of the Report to you; and
- you will indemnify KPMG, its affiliated entities, and their partners, officers, representatives and employees against all actions, liabilities, losses, claims, demands, claims for costs or expenses (including legal expenses on a solicitor client basis) or any other proceedings whatsoever arising out of or in connection with the provision of a copy of the Report, or breach of the terms and conditions outlined in this letter.

This letter shall be governed by and interpreted in accordance with the laws of the State of New South Wales, Australia and the courts of that State shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning this letter and any matter arising from it.

Yours faithfully

Paul Cenko
Partner

KPMG

Independent Auditor's Report

To the Unitholders of Capital Prudential Diversified Development Fund

Opinion

We have audited the ***Financial Statements*** of Capital Prudential Diversified Development Fund (the Group). We have also audited the ***Financial Statements*** of Capital Prudential Diversified Development Fund (the Fund).

In our opinion, each of the accompanying Group and Fund Financial Statements present fairly, in all material respects, the financial position of the Group and the Fund as at 30 June 2023, and of its financial performance and its cash flows for the year then ended, in accordance with Australian Accounting Standards and clause 8 of the Capital Prudential Diversified Development Unit Trust Deed.

The respective ***Financial Statements*** of the Group and the Fund comprises:

- Statements of financial position as at 30 June 2023;
- Statements of profit or loss and other comprehensive income, Statements of changes in equity, and Statements of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Statements* section of our report.

We are independent of the Group in accordance with 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 Statements in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Restriction on use and distribution

The Financial Statements have been prepared for distribution to the Unitholders of the Capital Prudential Diversified Development Fund in accordance with section 8 of the Trust Deed.

As a result, the Financial Statements and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the Unitholders of Capital Prudential Diversified Development Fund and should not be used by or distributed to parties other than the Unitholders of Capital Prudential Diversified Development Fund. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Statements to which it relates, to any person other than the Unitholders of Capital Prudential Diversified Development Fund or for any other purpose than that for which it was prepared.

KPMG

Other Information

Other Information is financial and non-financial information in Capital Prudential Diversified Development Fund's annual reporting which is provided in addition to the Financial Statements and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Statements does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for:

- The preparation and fair presentation of the Financial Statements in accordance with *Australian Accounting Standards* and section 8 of the Trust Deed;
- implementing necessary internal control to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; and
- assessing the Group and Fund's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objective is:

- to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf (Non-listed entities) This description forms part of our Auditor's Report.

KPMG

KPMG

Paul Cenko
Partner

Adelaide
28 September 2023

Capital Prudential

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