

QUANTUM STRATA SCHEME NO 14

ARSN: 115 998 733

Financial Report

**FOR THE YEAR ENDED
30 JUNE 2023**

Directors Report	3
Auditor Independence Declaration	7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12
Directors Declaration	28
Independent Audit Report	29

Responsible Entity

Primary Securities Ltd

ABN: 96 089 812 635

AFSL: 224107

3 Shuffrey Street

FREMANTLE WA 6160

PO Box 732

FREMANTLE WA 6959

Telephone: (08) 9430 5262

Internet: www.primarysecurities.com.au

Auditor

Pascoe & Co

Level 10

227 Elizabeth Street SYDNEY NSW 2000

DIRECTORS REPORT

The Directors of Primary Securities Ltd, the Responsible Entity of Quantum Strata Scheme No. 14 (“the Scheme”) submit the report of the Scheme for the year ended 30 June 2023.

DIRECTORS

The names of the Directors of Quantum Funds Management Ltd in office during the financial year until the change of Responsible Entity on 5 May 2023:

Ben Dillon	Chairman
Scott Riedel	
Peter Gribble	Resigned on 24 October 2022.
Nan (Nancy) Li	Appointed on 24 October 2022.

The names of the Directors of Primary Securities Ltd in office during the financial year::

Robert Garton Smtih	Chair
Natasha Olsen	Managing Director
Toni Smith	Director

INFORMATION ON CURRENT DIRECTORS

Robert Garton Smith is the Chair of Primary Securities Ltd and has been its responsible manager in relation to managed investments since inception.

Robert has degrees in law, commerce and financial planning and is a legal practitioner and a registered tax (financial) advisor.

Robert is a member of the Law Society of Western Australia and the Australian Compliance Institute and is a Fellow of the Financial Services Institute of Australia and the Association of Financial Advisors.

He has worked in the area of managed investments since 1981 and has prepared and overseen dozens of managed investment schemes relating to financial assets, derivatives, property, property developments, mortgages, film, forestry, and other investments.

Natasha Olsen is the Managing Director of Primary Securities Ltd and has a Bachelor of Laws Degree from Notre Dame University and was admitted to practice law by the Supreme Court of Western Australia in November 2015. Natasha is a member of the Law Society of Western Australia.

With the exception of two years in London, Natasha has been employed by Primary since its formation and has considerable experience of all aspects of the business.

Toni Smith is the manager of the Willmott Forests 1995-1999 Project. Toni has worked in the agricultural sector for over 20 years, having led several productive agricultural projects including forestry, broadacre cropping and livestock production.

Toni has extensive skills across rural land acquisition and financial management as well as practical farm and plantation management capabilities which ensure the performance of operations.

Toni sits on several other company boards in addition to her role with Primary.

DIRECTORS REPORT

PRINCIPAL ACTIVITIES

The principal activity of the Scheme during the year was to lease apartments in accordance with the provisions of the Scheme Constitution. The Scheme oversees the leasing of the apartments in a serviced apartment complex located on the corner of Market and Corrimal Streets, Wollongong. There have been no significant changes in the nature of these activities during the year.

SCHEME INFORMATION

Quantum Strata Scheme No 14 is an Australian registered Managed Investment Scheme, and was established on 23 August 2005. Primary Securities Ltd, the responsible entity of the Scheme, is an unlisted public company incorporated under the Corporations Act 2001 and holds an Australian Financial Services licence. Primary Securities Ltd became the responsible entity of the Scheme on 5 May 2023.

The registered office of the Responsible Entity is located at 3 Shuffrey Street Fremantle WA 6160.

REVIEW OF RESULTS AND OPERATIONS

The net operating income is presented in the Statement of Comprehensive Income. The net profit attributable to the Members of the Scheme for the year ending 30 June 2023 amounted to \$1,829,211 (2022: \$1,280,012).

The Scheme manages the serviced apartment complex located on the corner of Market and Corrimal Streets, Wollongong.

DISTRIBUTIONS

The total amount of profit attributable to members for the financial year ended 30 June 2023 has been distributed. Please refer to Note 6 in the Notes to Financial Statements for details regarding distributions.

INTERESTS ON ISSUE

10,000 Interests of Quantum Strata Scheme No 14 were on issue at 30 June 2023 (2022: 10,000). There were no interests redeemed or issued during the year, refer to Note 7 in the Notes to Financial Statements for further information.

OPTIONS

No options over issued interests in the Scheme were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

SCHEME ASSETS

At 30 June 2023, Quantum Strata Scheme No 14 held assets to a total value of \$834,608 (2022: \$1,008,456). The basis for valuation of the assets is disclosed in Note 3 in the Notes to Financial Statements.

FEES PAID TO THE RESPONSIBLE ENTITY AND ASSOCIATES

The following fees were paid to the Responsible Entity out of pooled funds during the financial year;

Management fee for the financial year paid to the Responsible Entity was \$92,204 (2022: \$67,818)

Refer to Note 12 in the Notes to Financial Statements for further details regarding the fees paid to the Responsible Entity.

The Responsible Entity and its associates did not hold any interest in the Scheme for the financial year ended other than as set out in Note 12 in the Notes to Financial Statements.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Primary Securities Ltd became the Manager (responsible entity) on 5 May 2023.

For the year ending 30 June 2023 gross rent income increased by 42% compared to the previous year (2022: decrease by 7%) due to a strong recovery from Covid-19 and annual CPI increment of 6.1%.

Medina Property Services Pty Limited ACN 062 326 176 (Medina) exercised the option to renew each individual lease for an additional five (5) years from 1 July 2023.

There were no other significant changes to the state of affairs of the Scheme.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The wording of the agreements for the extension of lease have been agreed and the individual leases are in the process of being prepared and executed.

No other matters or circumstances have arisen since the end of the financial year that significantly affect, or may significantly affect the Scheme's operations, the results of those operations or the Scheme's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The investment strategy of the Scheme will be maintained in accordance with the Scheme Constitution, Investment Objectives and the guidelines set out in its Product Disclosure Statements.

ENVIRONMENTAL REGULATION AND ISSUES

The operations of the Scheme are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Scheme.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Constitution of the Responsible Entity requires it to indemnify all current and former officers of the Responsible Entity (but not including auditors) out of the property of the Responsible Entity against:

- (a) any liability for costs and expenses which may be incurred by that person in defending civil or criminal proceedings in which judgement is given in that person's favour, or in which the person is acquitted, or in connection with an application in relation to any such proceedings in which the court grants relief to the person under the *Corporations Act 2001*; and
- (b) a liability incurred by the person, as an officer of the Responsible Entity or of a related body corporate, to another person (other than the Responsible Entity or a related body corporate) unless the liability arises out of conduct involving a wilful breach of duty in relation to the company.

During the financial year, the Responsible Entity paid an insurance premium in respect of a contract insuring each of the officers of the Responsible Entity. The amount of the premium is, under the terms of the insurance contract, confidential. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Responsible Entity or related body corporates. This insurance premium does not cover auditors.

The Scheme has not indemnified or insured directors or officers.

DIRECTORS REPORT

PROCEEDINGS ON BEHALF OF MANAGED INVESTMENT SCHEME

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

The Scheme was not a party to any such proceedings during the year.

BOARD COMMITTEES

As at the date of this report, the Responsible Entity had a Compliance Committee.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under s307c of the Corporations Act 2001 is set out on page 7.

No officer or director of the responsible entity is or has been a partner/director of any auditor of the Scheme.

Signed in accordance with a resolution of the Directors



Robert Garton Smith
Chairman

On behalf of the directors of the Responsible Entity Primary Securities Ltd at Fremantle, 29 September 2023

AUDITOR INDEPENDENCE DECLARATION

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received the following declaration from the auditor of the Scheme.



P A S C O E & C O
C H A R T E R E D A C C O U N T A N T S

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

**TO THE DIRECTORS OF
PRIMARY SECURITIES LTD**

**AS RESPONSIBLE ENTITY FOR
QUANTUM STRATA SCHEME NO. 14**

We declare to the best of our knowledge and belief, during the year ended 30 June 2023 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit

PASCOE & CO

JOHN PASCOE
Director

Sydney

29 September 2023

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	30-Jun-23	30-Jun-22
		\$	\$
Rental income and outgoings recovered		2,033,347	1,437,567
Interest income		4,032	84
Net investment income	4	2,037,379	1,437,650
Fund management fees		(92,204)	(67,818)
Fund expenses		(115,964)	(89,821)
Total Expenses		(208,168)	(157,639)
Net profit/(loss) for the year		1,829,211	1,280,012
Other comprehensive income		-	-
Total comprehensive income for the year		1,829,211	1,280,012
Distribution of Profits			
Profit attributable to unit holders		1,829,211	1,280,012
Distribution to unit holders		(1,829,211)	(1,280,012)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	2023 \$	2022 \$
Current Assets			
Cash and cash equivalents		691,279	689,350
Receivables	5	-	319,106
Accrued Income	6	143,329	-
TOTAL ASSETS		834,608	1,008,456
Current Assets			
Payables		204,297	306,433
Provisions	7	630,311	702,023
		834,608	1,008,456
TOTAL LIABILITIES		834,608	1,008,456
NET ASSETS		-	-
Equity			
Undisclosed profits/(losses)	9	-	-
TOTAL EQUITY		-	-

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	2023	2022
		\$	\$
Total equity at the beginning of the year			
Profit/(Loss) for the year		1,829,211	1,280,012
Other comprehensive income for the year		-	-
Distributions		(1,829,211)	(1,280,012)
Total equity at the end of the year	9	-	-

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2023

	Note	30 June 2023 \$	30 June 2022 \$
Cash flows from operating activities			
Rental Income and outgoings recovered		2,096,518	1,348,232
Interest received		4,032	84
Payment to suppliers		(190,779)	82,598
Net cash flow provided by operating activities	10	1,909,771	1,430,914
Cash flows from financing activities			
Distributions paid		(1,907,842)	(1,280,012)
Net cash flow used in financing activities		(1,907,842)	(1,280,012)
Net increase in cash and cash equivalents			
		1,929	150,902
Cash and equivalents at the beginning of the year		689,350	538,448
CASH AND EQUIVALENTS AT THE END OF THE YEAR	10	691,279	689,350

The accompanying notes form part of these financial statements.

1. CORPORATE INFORMATION

The financial statements and notes represent those of Quantum Strata Scheme No. 14 as an individual entity. Quantum Strata Scheme No. 14 is an unlisted managed investment scheme registered under the Corporations Act 2001, established and domiciled in Australia. Primary Securities Ltd, which is the responsible entity of the Scheme, is a public company incorporated under the Corporations Act 2001.

The registered office of the Responsible Entity is at 3 Shuffrey St, Fremantle, Western Australia, 6160.

The investment objective of the Scheme is to achieve consistent medium-term returns while safeguarding capital by investing in direct property, money market securities and fixed interest securities.

The financial statements of Quantum Strata Scheme No. 14 for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 29 September 2023.

2. BASIS OF PREPARATION

The following is a summary of the material accounting policies adopted by the Scheme in the preparation of the financial report.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

(a) Statement of Compliance

The financial report is a general purpose financial report, which has been prepared in accordance with requirements of the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (AASB) and the Scheme's constitution. The Scheme is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS).

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgements

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

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

(e) Going Concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Fair Value of Assets and Liabilities

The Scheme measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Scheme would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

Where applicable further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(b) Financial Instruments

(i) *Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Scheme becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Scheme's contractual rights to the cash flows from the financial assets expire or if the Scheme transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Scheme commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Scheme's obligations specified in the contract expire or are discharged or cancelled.

Available-for-sale financial assets

The Scheme's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(c(i))), are recognised in other comprehensive income. When an investment is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income, is re-classified into profit or loss.

Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Scheme manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Scheme's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(c) Intangible Assets

(i) *Other intangible assets*

Other intangible assets that are acquired by the Scheme, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) **Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

(iii) **Amortisation**

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than Goodwill, from the date that they are available for use.

(d) **Impairment**

(i) **Financial assets**

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) **Non-financial assets**

The carrying amounts of the Scheme's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(e) **Provisions**

A provision is recognised if, as a result of a past event, the Scheme has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

(i) Rental income

Rental income from operating leases is recognised in the period in which the rent is earned.

(ii) Interest income

Interest income is recognised in the Statement of Comprehensive Income when it is received.

(g) Finance Expenses

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

(h) Income Tax

Under current income tax legislation, the Scheme is not liable for income tax. The Scheme fully distributes its taxable income, calculated in accordance with the Scheme Constitution and applicable legislation, to members who are presently entitled to income under the constitution. Tax allowances for building and plant and equipment depreciation are distributed to members in the form of tax deferred components of distributions.

(i) Goods and Services Tax

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 taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

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

(j) Cash and Cash Equivalents

Cash and cash equivalents includes deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(k) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Receivables are due for settlement after not more than 30 days.

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Scheme will not be able to collect all amounts due according to the original terms of receivables. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the Statement of Comprehensive Income.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, units issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

(m) Investments Associates

Associates are those entities over which the Scheme has significant influence, but not control, over the financial and operating policies. The Financial Report includes the Scheme's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. If the Scheme's share of losses exceeds its interest in an associate, the Scheme's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Scheme has incurred legal or constructive obligations or made payments on behalf of the associate.

(n) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Scheme prior to the end of the period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Borrowings and Borrowing Cost

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Scheme has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date. Borrowing costs incurred for construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for intended use or sale. Other borrowing costs are expensed.

(p) Distributions

Provision is made for the amount of any distribution declared, being appropriately authorised and no longer at the discretion of the Scheme, on or before the end of the period but not distributed at balance date.

At the end of each quarter, all room revenues are pooled and fees, costs and outgoings (including the Fixtures, Fittings & Equipment contributions) are deducted. Where the pooled revenue exceeds the pooled costs, the surplus is distributed between all members based on the Apartment Entitlement attributed to each member's serviced apartment.

(q) Leases

The Scheme has adopted AASB 16: Leases with a date of initial application of 1 July 2019. However, no impact is shown as the directors have assessed that there is no material difference in the result of the Scheme between applying AASB 117 and AASB 16 from a lessor perspective and any difference would result in a mismatch of funds available for distribution to unitholders.

(r) New Standards and Interpretations

During the current year the Scheme adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. The financial impact was minimal as changes related to presentation disclosures only.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

(s) Sinking Fund

During each financial year both the tenant and the landlord deposit 2% of Actual Premises Revenue to a Sinking Fund for replacements, substitutions and additions to Furniture, Fixtures and Equipment. As contributions are made to the Sinking Fund they are expensed by the Scheme and transactions of the Sinking Fund are not included in this set of financial statements. The sinking fund can only be used in accordance with the approved operating plan. At 30 June 2023 the Scheme's half-share of the balance of the Sinking Fund was \$736,474.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

4 INCOME

	30 June 2023	30 June 2022
	\$	\$
Rental income	2,033,347	1,437,567
Interest income	4,032	84
	<u>2,037,379</u>	<u>1,437,650</u>

For the year ending 30 June 2023 gross rent income increased by 42% compared to the previous year (2022: decrease by 7%) due to a strong recovery from Covid-19 and annual CPI increment of 6.1%.

5 RECEIVABLES

	30 June 2023	30 June 2022
	\$	\$
Trade debtors	-	-
Other receivables	-	106,289
	<u>-</u>	<u>319,106</u>

6 ACCRUED INCOME

	30 June 2023	30 June 2022
	\$	\$
Accrued turnover rent	143,329	212,817
	<u>143,329</u>	<u>212,817</u>

7 PROVISIONS

	30 June 2023	30 June 2022
	\$	\$
Provision for Distribution	613,892	692,523
Provision for Expenses	16,419	9,500
	<u>630,311</u>	<u>702,023</u>
Movements in provision for distribution	\$	\$
Balance at beginning of the year	692,523	499,147
Distribution vesting in Members	1,829,211	1,280,012
Distributions paid	(1,907,842)	(1,086,634)
	<u>613,892</u>	<u>692,523</u>

8 INTERESTS ON ISSUE

Ordinary interests may only be issued to owners of a serviced apartment in the complex.

	Number of Interests	30 June 2023	30 June 2022
		\$	\$
Ordinary interests issues	10,000	-	-
		<hr/>	<hr/>
		<hr/>	<hr/>

Rights and Restrictions over Ordinary Interests:

Each Interest ranks equally with all other Ordinary Interests for the purpose of distributions and on termination of the Scheme.

Ordinary Interests entitle the holder to one vote on a show of hands, or if a poll is called, one vote for each percentage of the total issued Interests held by that Interest holder, either in person or by proxy, at a meeting of the Scheme.

9 UNDISTRIBUTED PROFIT

	30 June 2023	30 June 2022
	\$	\$
Balance at beginning of the year	-	-
Profit/(Loss) for the year	1,829,211	1,280,012
Distributions	(1,829,211)	(1,280,012)
	<u>-</u>	<u>-</u>

10 STATEMENT OF CASH FLOWS

a. RECONCILIATION OF NET PROFIT TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

	30 June 2023	30 June 2022
	\$	\$
Net profit/(loss) for the year	1,829,211	1,280,012
Change in operating assets and liabilities		
- Trade debtors	319,106	(86,055)
- Accrued Income	(143,329)	
- Trade and other payables	(95,217)	236,957
Net cash inflows from operating activities	<u>1,909,771</u>	<u>1,430,914</u>

b. RECONCILIATION OF CASH

	30 June 2023	30 June 2022
	\$	\$
Cash and cash equivalents	691,279	689,350
	<u>691,279</u>	<u>689,350</u>

11. FINANCIAL RISK MANAGEMENT

Overview

The Scheme has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Scheme's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is responsible for developing and monitoring risk management policies.

(i) Credit risk

Credit risk is the risk of financial loss to the Scheme if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Scheme's receivables from customers.

Other receivables

The Scheme has policies to ensure that sales of products and services are made to customers with an appropriate credit history.

The Scheme has not established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables and investments.

(ii) Liquidity risk

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

Typically the Scheme ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters, or pandemics.

The Scheme maintains sufficient cash reserves to meet ongoing operational expenses.

(iii) Market risk

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

The Scheme does not enter into derivatives in its management of market risk.

Currency risk

The Scheme is not exposed to currency risk on purchases that are denominated in a currency other than the respective functional currency of the Scheme F entity.

Interest rate risk

The Scheme's exposure to interest rate risk movements is limited to the cash balances held which are subject to floating interest rates. The Scheme therefore does not have significant interest rate risk exposure.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

11 FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk

The Scheme's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating Interest rate		Fixed interest rate maturing in						Total carrying amount as per balance sheet		
	2023	2022	1 year or less	Over 1 to 5 years	More than 5 years	2023	2022	2023	2022	2023	2022
Financial assets											
Cash	691,279	689,350	-	-	-	-	-	-	-	691,279	689,350
Receivables	-	-	-	-	-	-	-	319,106	-	-	319,106
Accrued Income	-	-	-	-	-	143,329	-	-	143,329	-	143,329
	691,279	689,350	-	-	-	143,329	-	319,106	143,329	834,608	1,008,456
Weighted average interest rate		0.0%									
Financial liabilities											
Payables									204,297	204,297	306,433
Provision								702,023	630,311	630,311	702,023
								1,008,456	834,608	834,608	1,008,456
Weighted average interest rate											
Net financial assets/liabilities	691,279	689,380				(691,279)		(689,350)		-	-

11 FINANCIAL RISK MANAGEMENT (continued)

Credit Risk

The carrying amount of financial assets included in the Statement of Financial Position represents the Scheme's maximum exposure to credit risk in relation to these assets.

The maximum exposure to credit risk at reporting date was:

	30 June 2023	30 June 2022
	\$	\$
Cash and cash equivalents	691,279	689,350
Trade and other receivables (current)	-	319,106
Accrued Income (Current)	143,329	
	<u>834,608</u>	<u>1,008,456</u>

Impairment losses

The Scheme's aging at the reporting date was as follows, there is no impairment:

The Manager Scheme believes no impairment allowance is necessary in respect of trade receivables.

	30 June 2023		30 June 2022	
	Gross	Impairment	Gross	Impairment
Current	-		319,106	
Past due 30 days	-		-	
Past due 60 days	-		-	
Past due 90 days	-		-	
	<u>-</u>		<u>319,106</u>	

Liquidity Risk

The following are the contractual maturities of financial liabilities:

	30 June 2023	Carrying Amount	Contractual Cashflows	6 Months or Less	6 – 12 Months	1 - 2 Years
Payables		204,297	204,297	204,297		
Provisions		630,311	630,311	630,311		
		<u>834,608</u>	<u>834,608</u>	<u>834,608</u>		
	30 June 2022	Carrying Amount	Contractual Cashflows	6 Months or Less	6 – 12 Months	1 – 2 years
Payables		306,433	306,433	306,433	-	-
Provisions		702,023	702,023	702,023	-	-
		<u>1,008,456</u>	<u>1,008,456</u>	<u>1,008,456</u>	<u>-</u>	<u>-</u>

11 FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk Exposures

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

	30 Jun 2023	30 Jun 2022
	\$	\$
Floating Rate Instruments		
Financial assets		
Cash and cash equivalents	691,279	689,350
	691,279	689,350
Non Interest bearing		
Financial assets/liabilities		
Trade & Other Receivables	-	319,106
Payables	(204,297)	(306,433)
Provisions	(630,311)	(702,023)
	(691,279)	(689,350)

Sensitivity analysis

A sensitivity analysis of the Scheme's exposure to interest rate changes has not been disclosed as the exposure is non-significant.

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 Jun 2023		30 Jun 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Cash and cash equivalents	691,279	691,279	689,350	689,350
Trade & Other Receivables	-	-	319,106	319,106
Accrued Income	143,329	143,329	-	-
Payables	(204,297)	(204,297)	(306,433)	(306,433)
Provisions	(630,311)	(630,311)	(702,023)	(702,023)
	-	-	-	-

The net fair value of all other assets and liabilities approximate their carrying values.

12 RELATED PARTIES

The Responsible Entity of Quantum Strata Scheme No 14 is Primary Securities Ltd.

The following transactions have taken place with the Responsible Entity, Primary Securities Ltd and its controlled entities and other related parties, on normal commercial terms, during the year ended 30 June 2023.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

SCHEME MANAGEMENT FEE

The Responsible Entity is entitled to an annual fund management fee for managing and administering the Scheme at a rate being 5.5% per annum of gross pool income of the Scheme for the year.

Scheme management fees paid or provided for, for the current year amounted to \$92,204 (2022: \$67,818).

DIRECTORS

The Directors of Quantum Funds Management Ltd during the year were:

Name	Date of Appointment/Resignation	Number of interests held
Peter Gribble	Resigned 24 October 2022	-
Ben Dillon	Appointed 1 September 2010	-
Scott Riedel	Appointed 11 April 2013	-
Nancy Li	Appointed 24 October 2022	-

The Directors of Primary Securities Ltd during the year were:

Name	Date of Appointment/Resignation	Number of interests held
Robert Garton Smith	Appointed 4 October 1999	-
Natasha Olsen	Appointed 16 October 2018	-
Toni Smith	Appointed 13 April 2022	-

From time to time Directors of the Responsible Entity, or their related entities, may invest or withdraw from the Scheme. These transactions are on the same terms and conditions as those entered into by other Scheme Members.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Scheme since the end of the previous financial year and there were no material contracts involving Directors interests subsisting at year end.

13 AUDITORS REMUNERATION

	30 June 2023	30 June 2022
	\$	\$
Audit and review of financial report	8,500	8,500
Audit and review of compliance plan	1,000	1,000
	<u>9,500</u>	<u>9,500</u>

14 SIGNIFICANT EVENTS AFTER BALANCE DATE

The wording of the agreements for the extension of lease have been agreed and the individual leases are in the process of being prepared and executed.

Other than the above there were no matters or circumstances have arisen since the end of the financial year that significantly affect, or may significantly affect the Scheme's operations, the results of those operations or the Scheme's state of affairs in future financial years.

15 NET ASSET BACKING PER INTEREST

Basic net asset backing is calculated by dividing the Total Members funds by the number of Ordinary Interests on issue. The number of Interests used in the calculation of Basic Net Asset Backing is 10,000 (2022: 10,000).

	30 June 2023	30 June 2022
Basic net asset backing per Interest (cents)	-	-

16 EARNINGS PER INTEREST

Earnings per Interest is calculated by dividing the Net Profit Attributable to Members of the Scheme by the weighted number of Ordinary Interests on issue during the year. The weighted average number of Interests used in the calculation of earnings per Interest is 10,000 (2022: 10,000).

	30 June 2023	30 June 2022
	\$	\$
Basic earnings per Interest (cents)	18,292	12,800
Diluted earnings per Interest (cents)	<u>18,292</u>	<u>12,800</u>

17 SEGMENT REPORTING

The Scheme operates in one business segment being the management of a serviced apartment complex, and in one geographical segment being New South Wales, Australia.

18 CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.

19 OTHER REQUIRED INFORMATION

a. Commencement Date of Scheme

The Scheme was constituted on 23 August 2005.

b. Life of the Scheme

The Scheme does not have a fixed term and may be terminated if the Scheme is wound up or upon expiration of the lease, unless all members agree by special resolution to renew the lease or enter into a new lease.

DIRECTORS DECLARATION

The Directors of Primary Securities Ltd, as Responsible Entity of the Quantum Strata Scheme No 14 (the "Scheme"), declare that they are of the opinion that:

1. The Financial Statements and notes of the Scheme are in accordance with the Corporations Act 2001, and:
 - a. give a true and fair view of the financial position as at 30 June 2023 and of the performance for the year ended on that date; and
 - b. Comply with Australian Accounting Standards, which, as stated in Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS) and Corporations Regulations 2001.
2. There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to S295(5) of the Corporation Act 2001.

On behalf of the directors of the Responsible Entity:



Robert Garton Smith
Chairman

On behalf of the directors of the Responsible Entity Primary Securities Ltd
Fremantle, 29 September 2023

INDEPENDENT AUDIT REPORT



P A S C O E & C O
C H A R T E R E D A C C O U N T A N T S

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF QUANTUM STRATA SCHEME NO. 14**

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of Quantum Strata Scheme No. 14, a managed investment scheme, which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

(a) the financial report of Quantum Strata Scheme No. 14 is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the registered scheme's financial position as at 30 June 2023 and of its performance for the year then ended; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the Financial Report

Our 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 company'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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- 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.

PASCOE & CO

JOHN S PASCOE Director
Sydney

29 September 2023