

PRIVATE PROPERTY TRUST NO.1
ABN 53 466 497 704

SPECIAL PURPOSE FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2019

Liability limited by a scheme approved under
Professional Standards Legislation

PRIVATE PROPERTY TRUST NO.1
ABN 53 466 497 704

CONTENTS

Statement of Profit or Loss	1
Statement of Financial Position	2
Statement of Changes in Equity	3
Notes to the Financial Statements	4
Director's Declaration	10
Independent Review Report	11

PRIVATE PROPERTY TRUST NO.1
ABN 53 466 497 704

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
INCOME			
Rent Received	2D	2,165	2,323
LESS: RENTAL EXPENSES			
Direct Rental Expenses		702	576
GROSS PROFIT FROM RENTAL OPERATIONS		1,463	1,747
OTHER INCOME			
Interest Received		8	7
Movement in Net Market Values	2C	(478)	(1,149)
Decrease (Increase) in Exit Fees		39	153
		1,032	758
EXPENSES			
Administration Fees		75	92
Amortisation		184	214
Finance Costs		521	535
Management Fees		293	356
		1,073	1,197
PROFIT		(41)	(439)

The accompanying notes form part of these financial statements.

PRIVATE PROPERTY TRUST NO.1
ABN 53 466 497 704
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,120	1,105
Trade and other receivables		50	33
Other Current Assets		0	1,815
Investments Property	2B	10,300	10,998
TOTAL CURRENT ASSETS		11,470	13,951
NON-CURRENT ASSETS			
Intangibles		1,689	1,793
Investment -Property	2C	18,092	17,700
TOTAL NON-CURRENT ASSETS		19,781	19,493
TOTAL ASSETS		31,251	31,651
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		85	99
Other current liabilities		40	40
TOTAL CURRENT LIABILITIES		125	139
NON-CURRENT LIABILITIES			
Provision for Exit Fee		1,720	1,588
Financial liabilities	3	12,540	12,540
TOTAL NON-CURRENT LIABILITIES		14,260	14,128
TOTAL LIABILITIES		14,385	14,267
NET ASSETS		16,866	17,384
TRUST FUNDS			
Unit capital	5	6,510	6,510
Reserves		198	677
Retained earnings (Accumulated losses)		10,158	10,197
TOTAL TRUST FUNDS		16,866	17,384

The accompanying notes form part of these financial statements.

PRIVATE PROPERTY TRUST NO.1
ABN 53 466 497 704

STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2019

	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000
EQUITY AT 1 JULY 2018	6,510	10,874	17,384
Profit for the year		(41)	(41)
Total Comprehensive income for the year		(41)	(41)
Transactions with unitholders in their capacity as unit holders			
Distribution paid to unitholders		(480)	(480)
		(480)	(480)
EQUITY AT 30 JUNE 2019	6,510	10,353	16,863
INITIAL EQUITY CONTRIBUTION	6,510	11,758	18,268
6,000,000 units Made Up as follows			
Units subscribed @ \$1.00 x 4,500,000			
Units Subscribed @ \$1.34 x 1,500,000			
Total comprehensive income for the year		(439)	(439)
		(445)	(445)
Transactions with unitholders in their capacity as unit holders		(445)	(445)
Distribution paid to unitholders			
	6,510	10,874	17,384
EQUITY AT 30 JUNE 2018	6,510	10,874	17,384

The accompanying notes form part of these financial statements.

PRIVATE PROPERTY TRUST NO.1
ABN 53 466 497 704
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1 – GENERAL INFORMATION

Private Property Trust No.1 (“the Trust”) is a Unit Trust operating as an unregistered managed investment scheme in Australia. The fund has appointed Fawkner Property Pty Ltd to be the investment manager. The Trustee of the Trust is Farrell Heidelberg Pty Ltd and its registered office and principal place of business as follows:

Registered Office:	Principal Place of Business
Level 8	Level 8
468 St Kilda Road	468 St Kilda Road
MELBOURNE VIC 3004	MELBOURNE VIC 3004
Tel: (03) 9856 4577	Tel: (03) 9856 4577

The Trust’s principal activity is the purchase and leasing of commercial real estate.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

A – Financial Reporting Framework

The Trust is not a reporting entity, because in the opinion of the Directors of the Trustee, there are unlikely to exist users of the financial statements who are unable to command the preparation of reports tailored, so as to specifically satisfy all of their information needs. Accordingly, this special purpose financial statement has been prepared to satisfy the Directors of the Trustee reporting requirements under the trust deed.

B – Basis of Preparation

The financial statements have been prepared on an annual basis in accordance with the recognition and measurement requirements of the Australian Accounting Standards, and the disclosure requirements of AASB 110: Events After the Reporting Period.

Investment property classified as held for sale

The property **1, Farrell Place ,Canberra** has been classified as held for sale because it is management’s intention the carrying amount of the property will be recovered through a sale transaction and the property is in a saleable condition and it is being actively marketed.

The financial statements are presented in Australian dollars, which is the Trust’s functional currency.

All accounting policies set out in these notes have been applied consistently to all financial periods shown in these statements.

The accompanying notes form part of these financial statements.

PRIVATE PROPERTY TRUST NO.1
ABN 53 466 497 704
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C – Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

D – Revenue Recognition

Amounts payable of tenants under leases of investment properties are recognised when they are due and payable by the tenant. Costs of owning and operating the investment properties are recognised when they are incurred. Lease incentives, legal costs, agent's leasing fees and other costs of establishing a lease are capitalised and recognised on a straight-line basis over the term of the lease.

E – Provisions

Provisions are recognised when the Trust has a present obligation (legal or constructive) as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

PRIVATE PROPERTY TRUST NO.1
ABN 53 466 497 704
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

F – Financial Instruments

Financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at a fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at a fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at a fair value through profit or loss are recognised immediately in profit or loss.

G – Financial Liabilities and Equity Instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Trust are recognised at the proceeds received, net of direct issue costs. Other financial liabilities, including borrowings and trade and other payables, are initially measured at a fair value, net of transaction costs.

H – Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

PRIVATE PROPERTY TRUST NO.1
ABN 53 466 497 704
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

I – Income Tax

Under current legislation the Trust is not liable for income tax provided its taxable income is fully distributed to unitholders.

J – Critical Judgements in Applying Accounting Policies

The preparation of financial statements requires the directors of the Trustee 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 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.

(i) Interest rate swaps – The Trust follows guidance in AASB 139 in accounting for interest rate swaps as financial assets or financial liabilities at fair value through profit or loss (classified as held for trading). All the interest rate swaps are entered into to hedge interest rate risks by converting floating rate debt to fixed interest rates. The directors of the Trustee have decided not to follow the documentation and other requirements of AASB 139 that are necessary in order to classify the interest rate swaps as cash flow hedges. This has the effect of recognising movements of the interest rate swaps in the profit or loss rather than equity.

(ii) Fair value estimation – Investments in investment properties are carried at values that are based on assumptions and estimates. If any of these assumptions or estimates were not correct this could have a material impact on the carrying amounts in the statement of financial position.

(iii) In accordance with the Trusts' Information Memorandum, the Trustee is entitled to be reimbursed for costs, charges and expenses incurred in relation to establishing or promoting the Trust. The directors of the Trustee have determined that these fees are a cost of raising capital, as they are a recovery of costs incurred by the Trustee in issuing units to unitholders, and other associated activities. The directors do not consider it practicable to determine an appropriate allocation between these different activities. In accordance with common industry practice and AASB 132 'Financial Instruments: Presentation' the raising costs are applied as a reduction of contributions by unitholders.

K – Change in Accounting Policy

There has been no material change in accounting policies applied for this financial year.

The accompanying notes form part of these financial statements.

PRIVATE PROPERTY TRUST NO.1

ABN 53 466 497 704

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 3 – FINANCING FACILITY

The trust has a loan facility totalling \$12,540,000 with a maturity date of 30th April 2021.

NOTE 4 – EVENTS SUBSEQUENT TO REPORTING DATE

During FY 2019, the property **1, Farrell Place , Canberra** has been classified as held for sale because it is management's intention the carrying amount of the property will be recovered through a sale transaction and the property is in a saleable condition and it is being actively marketed.

On 15 August 2019, a contract for sale was entered into with Hedley Property Investments Pty Ltd as purchaser for total consideration of \$10,506,382.65. The total consideration took into account the loss of rent from the Gel Gov tenancy on the ground floor (\$143,617.35), as the tenant defaulted late in negotiations, and \$50,000 contingency for outgoing anomalies alleged by the purchaser. The contract price was adjusted as follows:

Contract price		\$10,506,382.65
Allowance for rent from defaulting tenant	(33,072.37)	
Allowance for outstanding tenant incentives	(130,610.01)	
Adjustment for water rates & Usage	(3,600.42)	(167,282.80)
Cash received from transaction		<u>\$10,339,099.85</u>

In accordance with clause 5.1 of the Deed, a fee of \$243,577 was paid to the Manager.

NOTE 5 – GEARED UNITS

On the initial and subsequent issue of units in the Trust, unitholders had the opportunity to apply for either geared or Un-geared units. Subscribers to geared units paid the same consideration to the Trust for their units as those who subscribed for ungeared units during the same issue (\$1.00 per unit for the initial issue and \$1.34 per unit on the subsequent issue). However in addition for geared units, the Trust arranged a loan with an external financier in the geared unitholders name (\$0.89 per unit for the initial issue and \$1.67 per unit on the subsequent issue), with proceeds from these loans utilised by and for the benefit of the trust. The financiers recourse on these loans in the event of default is limited to the Trusts assets.

The gearing arranged by the Trust in this matter totalled \$1,312,377 (2017:\$1,312,377) and is included in the Trusts total interest bearing liabilities shown in the Statement of financial Position of \$12,540,000 (2017 (\$12,540,000)), and the interest incurred is included in the total finance costs of the Trust, on the basis that the amount is secured by the assets of the Trust. Only the cash consideration received directly from unitholders on issue of units is shown as Issued Capital in Equity.

Distributions are made equally to all unitholders in proportion to the number of units held regardless of whether the units are geared or ungeared. However, for the purposes of determining the taxable income of the Trust, the finance costs incurred by the Trust on that proportion of debt relating to the geared unitholders is added back. The taxable income distributed to geared unitholders is then 'grossed-up' for their pro-rata share of this amount and a corresponding deduction for the interest paid may then be available to them in an individual capacity.

The cash from facilities arranged by the trust for the geared unitholders has been utilised by the Trust for the benefit of all unitholders. On wind-up the assets of the Trust will be used to extinguish these facilities along with other core debt facilities of the Trust and the net assets of the Trust would be distributed to each unitholder on a pro rata basis in relation to the number of units held in the Trust, whether geared or un-geared.

The accompanying notes form part of these financial statements.

PRIVATE PROPERTY TRUST NO.1

ABN 53 466 497 704

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 6 – TERM OF TRUST

The Trust Deed was executed on 30th June 1999. Under the Deed, the Trust has a limited life of 80 years. However, prior to each 10 year anniversary of the Trust, the unitholders are required to vote as to whether the Trust should continue for a further period (not to exceed 10 years). If greater than 50% of the unitholders vote against the continuation, the Trust would be terminated on the relevant anniversary date.

Prior to the first 10 year anniversary of the Trust on 30 June 2009, the unitholders voted to continue the Trust for a further 2 years until 30 June 2011. Subsequently, on 22 June 2012, the Trust was extended until 30 September 2014.

In accordance with clause 2.3 of the Trust Deed, the term of the Trust was further extended to the 30 September 2020.

NOTE 7 – PROPERTY VALUATIONS

The Properties are valued as follows

		1 Farrell Place Canberra	456 Lower Heidelberg Rd
Purchase date		August 1999	June 2001
Purchase price		7,200,000	7,000,000
Purchase costs including Stamp duty		408,000	570,011
Capital Improvements		3,103,431	1,248,745
Fair Value Adjustment		2,038,569	8,731,244
Total Land & Buildings	30 th June 2017	<u>\$12,750,000</u>	<u>\$17,550,000</u>
Fair Value Adjustments	2018	(1,299,430)	150,000
Valuer		Knight Frank	Knight Frank
Total Land & Buildings	30 th June 2018	<u>\$11,450,570</u>	<u>\$17,700,000</u>
Fair Value Adjustments	2019	(870,570)	392,000
Valuer		Directors Valuation	Directors Valuation
Total Land & Buildings	30 th June 2019	<u>\$10,580,000</u>	<u>\$18,092,000</u>

The accompanying notes form part of these financial statements.

PRIVATE PROPERTY TRUST NO.1

ABN 53 466 497 704

DIRECTOR'S DECLARATION

The directors of Farrell Heidelberg Pty Ltd Limited, the Trustee, have determined that the Trust is not a reporting entity and that this special purpose financial statement should be prepared in accordance with the accounting policies described in Note 2 to the financial statements.

The directors of Farrell Heidelberg Pty Ltd, the Trustee declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of changes in equity, and accompanying notes, are in accordance with the trust deed; and;

(a) Comply with Accounting standards as described in Note 2 to the financial statements; and

(b) give a true and fair view of the trust's financial position as at 30 June 2019 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 2 to the financial statements.

2. In the directors' opinion there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors of Farrell Heidelberg Pty Ltd by:



Owen Lennie

Director

Dated: 15th October 2019



**INDEPENDENT ASSURANCE PRACTITIONER'S REVIEW REPORT
TO THE DIRECTORS OF
FARRELL HEIDELBERG PTY LTD
THE TRUSTEE OF PRIVATE PROPERTY TRUST NO 1**

We reviewed the accompanying financial report of Private Property Trust No.1 ("the trust") which comprise the statement of financial position as at 30 June 2019, and the statement of profit and loss, statement of changes in equity and a summary of significant accounting policies, and other explanatory information. The financial report has been prepared by management of the trustee of the Private Property Trust No. 1.

Management's Responsibility for the Financial Report

The directors of the trustee company (the "directors") are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies used and described in Note 2 to the financial report are appropriate to meet the requirements of the Trust Deed and the needs of the Unitholders. This responsibility includes such internal controls as the directors of the trustee company determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

Assurance Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2400, *Review Of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*. ASRE 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the financial report, taken as a whole, is not prepared in all material respects in accordance with the applicable financial reporting framework. This Auditing Standard also requires us to comply with relevant ethical requirements.

A review of the financial report in accordance with ASRE 2400 is a limited assurance engagement. The assurance practitioner performs procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with Australian Auditing Standards. Accordingly, we do not express an audit opinion on this financial report.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial report for the Private Property Trust No. 1 for the year ended 30 June 2019 is not prepared, in all material respects, in accordance with the with the accounting policies described in Note 2 to the financial report and the financial reporting requirements of the Trust Deed.

Basis of Accounting

Without modifying our conclusion, we draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the trustee's financial reporting responsibilities under the Trust Deed. As a result, the financial report may not be suitable for another purpose.

George Carydias CA

Dated this 8th day of November, 2019

17D Chester Street, Oakleigh Victoria 3166

Page 11

PRIVATE PROPERTY TRUST NO.1
ABN 53 466 497 704
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
INCOME			
Rent Received Canberra		741	975
Rent Received Heidelberg		1,424	1,349
		2,165	2,324
LESS: RENTAL EXPENSES			
Air Conditioning		55	41
Cleaning		24	33
Consulting Fees		23	43
Council Rates		185	172
Electricity		82	73
Property Management Fees		75	68
Fire Levy		40	36
Gas & Oil		20	14
Insurance		44	26
Land Tax		43	28
Lease Incentives		0	0
Lifts		27	18
Repairs & Maintenance		29	26
Rubbish Removal		11	8
Sundry Expenses		8	15
Water Rates		36	39
Total Operating Expenses		702	640
GROSS PROFIT FROM RENTAL OPERATIONS		1,463	1,684
OTHER INCOME			
Interest Received		8	7
		1,471	1,691
EXPENSES			
Administration Fees		75	23
Amortisation		184	214
Finance Costs		521	541
Management Fees		293	356
		1,073	1,134
OPERATING PROFIT			
Exit Fee		39	153
Revaluation of Land & Buildings		(478)	(1,149)
NET PROFIT		(41)	(439)

The accompanying notes form part of these financial statements.
Page 11