



## ASX Release

31 August 2012

### P-REIT (PXT)

### 30 June 2012 – Full Year Result

Attached to this ASX Release are the financial statements for the full year to 30 June 2012 along with the Appendix 4E. P-REIT incurred a loss of \$15.5 million and net assets are now 22 cents per unit. The loss and decline in net assets are caused by the Trust making a provision of \$19 million with respect to the adverse judgment of the NSW Supreme Court (Judgment) disclosed to the market on 10 August 2012.

The Judgment relates to court proceedings commenced by the MacarthurCook Property Securities Fund (ASX Code: MPS) and involves claims in relation to three contracts under which MPS invested \$15 million in the Trust in late 2007, that is, before BlackWall began managing the Trust. BlackWall disputes those claims and will be lodging an appeal. More details on these proceedings and the effect of the provisions are set out in the financial statements following.

Excluding the provision for the Judgment, the operating profit would have been \$3.5 million and net assets per unit 31 cents.

Between 30 June 2011 and the date of this announcement interest bearing debt has reduced from \$57.9 million to \$54.5 million giving rise to a loan to value ratio of 45% (against total assets) and 67% against direct real estate. The Trust intends to make a further debt repayment of \$600,000 on 7 September 2012.

#### Distributions

The MPS proceedings were before the court again today to determine the status of the Judgment pending the intended appeal. By consent the court has ordered that, subject to TFML giving a number of undertakings the Judgment will be stayed. This means that MPS cannot take steps to enforce the Judgment debt. The stay will be reviewed before the court on 19 October 2012. In negotiating the stay TFML has agreed to a number of undertakings with respect to the assets of the Trust and the use of its funds pending the appeal. In summary the undertakings will have the effect that surplus cash flow must be applied to reducing bank debt. In addition, the Trust cannot make income or capital distributions to its unitholders.

It is expected that these undertakings will continue until the outcome of the appeal is known and as a consequence the Trust will not be in a position to pay distributions until that time.

**Stuart Brown**  
**Chief Executive Officer**

TFML LIMITED ACN 079 608 825

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**BLACKWALL**  
PROPERTY FUNDS

# P-REIT

ARSN 109 684 773



Consolidated Annual Financial Statements

Year Ended 30 June 2012

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## Directors' Report

On 9 May 2012 a meeting of P-REIT ("P-REIT" or "the Trust") members approved resolutions to move the responsible entity duties from the Trust's original responsible entity RFML Limited ("RFML") (now called Zhaofeng Funds Management Limited ("Zhaofeng")) to TFML Limited ("the Responsible Entity" or "TFML"). The Directors present their report for the year ended 30 June 2012.

### Principal Activities and Review of Operations

The Trust is a registered managed investment scheme incorporated and domiciled in Australia.

The principal activity of the Trust and its controlled entity during the financial year was investing in income-producing real estate and real estate interests. There were no significant changes in the principal activity during the financial year, however, as disclosed in the ASX release accompanying these financial statements the Trust is subject to a significant judgment relating to court proceedings initiated by a listed trust known as MacarthurCook Property Securities Fund ("MPS"). MPS invested in the Trust prior to BlackWall acquiring control of the Trust. The proceedings relate to contracts with respect to MPS's investment which were not disclosed to other unitholders at the time. The case was heard before Justice Hammerschlag in the Supreme Court of NSW Equity Division in early July 2012.

On 10 August 2012 Justice Hammerschlag handed down a judgment ("Judgment") in favour of MPS. The Judgment is for \$17,764,204 including Judgment court interest (to the date of Judgment) but excluding costs. The responsible entity has estimated costs to be in the order of \$1.2 million bringing the total provision for the Judgment to \$19,000,000. The Judgment amount has been recognised as an expense in these financial statements. With this adjustment the net result for the Trust for the financial year ended 30 June 2012 was a loss of \$15,526,000 (2011: profit of \$1,596,000) Refer to the ASX announcement made on 10 August 2012 for details of the Judgment. Further details on the litigation expenses are included in Note 16.

The Responsible Entity has sought further legal advice since the Judgment and has determined that it will lodge an appeal. Subject to court time tabling and work loads the appeal process is expected to take at least six months.

### Significant Changes in Affairs

The Trust was listed on the Australian Securities Exchange (ASX) on 28 October 2011.

### Distributions

There were no distributions paid or declared for the year ended 30 June 2012 (2011: \$nil).

### Events Subsequent to Reporting Date and Likely Developments

On 9 July 2012 \$1.08 million of borrowings was repaid to the Trust's lender (refer to Note 14).

Other than the other matters referred to in these financial statements, to the best knowledge of the Directors, there have been no other matters or circumstances that have arisen since the end of the year that have materially affected or may materially affect the Trust's operations in future financial years, the results of those operations or the Trust's state of affairs in future financial years.

## Directors' Report (continued)

### Going Concern

In assessing if it is appropriate to prepare these financial statements on a going concern basis the Directors have considered the following factors:

1. The Trust borrowings of \$55,580,000 (at 30 June, now \$54,500,000) is classified as a current liability as it has a term to maturity of less than 12 months, it is outside of its loan to value ratio covenant (direct property to debt – currently 67% against a covenant of 65%) and the Judgment disclosed above constitutes a review event or breach under the facility;
2. The Judgment gives rise to a current liability of \$19,000,000;
3. The Judgment gives rise to a litigation expense which generates a loss of \$15,526,000 (a \$3.5 million profit if the Judgment is not brought to account);
4. The Trust has non-current assets of \$119.7 million (\$81.4 million direct property and \$37.5 million property securities);
5. The Trust's direct property portfolio has no material vacancies or bad debts; and
6. Pending the determination of the appeal it is likely that the court or MPS will not consent to the Trust paying distributions to its members. As a consequence all free cashflow will be applied to debt amortisation.

The Trust has over \$121 million of gross assets to satisfy total liabilities of \$76 million (including the Judgment). As a consequence the Directors have concluded that it is reasonable to assume that:

1. The Trust's borrowings will either be extended by the current lender or can be refinanced; and
2. If the Trust is unsuccessful in its appeal (and any subsequent appeals to higher appellant courts) the Trust can sell assets to fund the Judgment debt.

The Directors have therefore taken the view that it is appropriate to prepare these financial statements on a going concern basis.

### Information on Directors of the Responsible Entity

The names of the Directors of the Responsible Entity (Zhaofeng then TFML) in office at any time during or since the end of the year are set out below. Unless otherwise stated, Directors have been in office since the beginning of the financial year to the date of these financial statements.

<b>Name</b>	<b>Special Experience</b>	<b>Position</b>
Richard Hill	Richard Hill has extensive investment banking experience and was the founding partner of the corporate advisory firm Hill Young & Associates. Richard has invested in BlackWall's projects since the early 1990's. Prior to forming Hill Young, Richard held a number of Senior Executive positions in Hong Kong and New York with Hong Kong & Shanghai Banking Corporation (HSBC). He was admitted as an attorney in New York State and was registered by the US Securities & Exchange Commission and the Ontario Securities Commission. He is the Chairman of Calliden Group Limited and Sirtex Medical Limited and a Director of Biota Holdings Limited (all listed on the ASX). In addition Richard is Chairman of the Westmead Millennium Institute for Medical Research. Previously, Richard was an Independent Non-Executive Director of formerly ASX listed Pelorus Property Group. He is now a Chairman of the ASX listed company, BlackWall Property Funds Limited.	Non-Executive Director and Chairman TFML

## Directors' Report (continued)

### Information on Directors of the Responsible Entity (continued)

Joseph (Seph) Glew	<p>Seph has worked in the commercial property industry in New Zealand, the USA and Australia. Seph has driven large scale property development and financial structuring for real estate for over 30 years. In addition, since the early 1990's Seph has run many "turn-around" processes in relation to distressed properties and property structures for both private and institutional property owners.</p> <p>While working for the Housing Corporation of New Zealand and then AMP, Seph qualified as a registered valuer and holds a Bachelor of Commerce. In the 1980's he served as an Executive Director with New Zealand based property group Chase Corporation and as a Non-Executive director with a number of other listed companies in New Zealand and Australia. Seph was Chairman of formerly ASX listed Pelorus Property Group and he is now the Executive Chairman of Pelorus Private Equity Limited and a Director of the ASX listed company, BlackWall Property Funds Limited.</p>	Non-Executive Director TFML and Zhaofeng
Robin Tedder	<p>Robin has over 35 years' experience in investment and financial markets. He has been an investor in BlackWall's projects since 1997. Robin manages private equity interests and is the Chairman of Vintage Capital Pty Ltd. He is a former member of the ASX and has served on the boards of several merchant banks in Australia and overseas, including Rand Merchant Bank Ltd, Kleinwort Benson Australia Ltd and Australian Gilt Securities Ltd (as CEO from 1988 to 1995). He is a Director of Italtile Australia Pty Ltd (a national retailer under the CTM brand, and developer of bulky goods stores), Chairman of Apollo Health Management and Australian Ambassador for Singularity University (sponsored by NASA and Google) of Mountain View California. Robin is also a Fellow of the Financial Services Institute of Australasia. Previously, Robin was a Director of formerly ASX listed Pelorus Property Group and he is now a Non-Executive director of Pelorus Private Equity Limited and a Non-Executive director of the ASX listed company, BlackWall Property Funds Limited.</p>	Non-Executive Director TFML
Stuart Brown	<p>Stuart has been involved in property investment for over 15 years across funds management, property services and finance. In 2006 he was appointed Chief Operating Officer and Chief Financial Officer of the then ASX listed Pelorus Property Group and later Managing Director. Stuart has run debt and equity raising in relation to listed and unlisted real estate structures with assets valued at over a half a billion dollars. In his earlier career, Stuart practised as a solicitor in the areas of real estate, mergers and acquisitions and corporate advisory with Mallesons and Gilbert + Tobin. Stuart is also a Director of the unlisted public company, Pelorus Private Equity Limited and the ASX listed company, BlackWall Property Funds Limited.</p>	Executive Director and Chief Executive Officer TFML and Zhaofeng

## Directors' Report (continued)

### Information on Directors of the Responsible Entity (continued)

<p>Tim Brown (only relevant for Zhaofeng Funds Management Limited)</p>	<p>Tim is the Chief Financial Officer for BlackWall and its funds. Tim is responsible for all aspects of these entities' financial reporting, debt management and accounting operations. Tim joined the formerly listed Pelorus Property Group Limited in 2008 as Group Financial Controller and became Chief Financial Officer in 2009.</p> <p>He has a Bachelor of Commerce from the University of New South Wales, is a member of the Institute of Chartered Accountants of Australia and has a Graduate Diploma from the Financial Services Institute of Australasia. He started his career with Deloitte in their middle market audit division working on a wide variety of SMEs. In 2002 he joined Lend Lease Corporation and held a number of finance roles across the Lend Lease portfolio from development and retail financial management to corporate treasury, including Treasury Manager for Lend Lease's European operations based in London.</p>	<p>Non-Executive Director Zhaofeng</p> <p>Chief Financial Officer TFML and Zhaofeng</p>
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### Company Secretary

Don Bayly is the Company Secretary. He has a Bachelor of Commerce and Administration degree from Victoria University. Don has over 20 years' compliance management experience.

The Board has looked to achieve a board membership that includes a mix of skills, experience and technical expertise that is best suited to the business.

### Meeting Attendances

Attendance at the Responsible Entity's Board meetings held during the financial year is detailed below:

Director	Zhaofeng	TFML
Meetings Held	3	1
Richard Hill	n/a	1
Seph Glew	3	1
Robin Tedder	n/a	1
Stuart Brown	3	1
Tim Brown	3	n/a

### Directors' Relevant Interests

As at the date of this report the Directors' relevant interests in units or options in the Trust are:

Director	Units (No.)	Units (%)
Richard Hill	-	-
Seph Glew	52,150,000	25.13
Robin Tedder	4,481,765	2.16
Stuart Brown	853,650	0.41

### Options

There were no options granted during the year ended 30 June 2012.

## Directors' Report (continued)

### Remuneration Report (Audited)

There was no remuneration paid from the Trust to the Directors of the Responsible Entity and its key management personnel.

### Custodian Remuneration

The Custodian is The Trust Company Limited. The custody fee is calculated at the greater of \$15,000 p.a. or 0.025% p.a. of the gross asset value of the Trust, plus GST. In addition, the Custodian is entitled to be paid any out-of-pocket expenses incurred in the performance of its duties. Refer to Note 25 for details.

### Responsible Entity Remuneration

In accordance with the terms of the Trust Constitution and the product disclosure statement, the Responsible Entity is entitled to receive a management fee based on 0.65% p.a. of the gross asset value of the Trust. Refer to Note 25 for total remuneration paid to the Responsible Entity.

### Interests in the Fund

The number of units on issue at 30 June 2012 was 207,524,039. There were no additional issues or redemptions of units during the financial year.

TFML Limited, the Responsible Entity of the Trust, holds 5,000,000 units in the Trust.

### Environmental Regulation and Performance

The Trust and its controlled entity's operations are not regulated by any significant environmental law or regulation under either Commonwealth or State legislation. However, the Responsible Entity believes that the Trust and its controlled entity have adequate systems in place for the management of its environmental requirements and is not aware of any instances of non-compliance of those environmental requirements as they apply to the Trust.

### Measurable Objectives For Achieving Gender Diversity

While the Responsible Entity is committed to employing people on best fit for the job based on ability, performance and potential, our goal is to build a workforce that reflects the diversity of the communities in which we operate.

This means creating a work environment where employee differences such as gender, age, culture, disability and lifestyle choice are valued. The objective is therefore one of a 50/50 gender split and is reflected as follows:

	Female (No. of people)	Female (%)	Male (No. of people)	Male (%)
Board	0	0	4	100
Executive Management	3	50	3	50
Other	6	55	5	45

### Proceedings On Behalf of The Trust

See commentary earlier in these financial statements and Note 16.



## Directors' Report (continued)

### Indemnities of Officers

During the financial period the Responsible Entity has paid premiums to insure each of the Directors named in this report along with Officers of the Responsible Entity against all liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Responsible Entity, other than conduct involving a willful breach of duty. The insurance policy prohibits disclosure of the nature of the liability, the amount of the premium and the limit of liability.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor to the Trust.

### Non-audit Services

Amounts paid to the auditor for non-audit services during the year are detailed at Note 19 of the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

### Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out in these financial statements.

### Auditor

ESV Chartered Accountants continues in office in accordance with section 327 of the Corporations Act 2001.

### Rounding of Amounts

The Trust is a group of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

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



**Stuart Brown**  
Director  
Sydney, 30 August 2012

## Directors' Report (continued)



chartered  
accountants

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### Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012, there have been:

- (i) no contraventions of the auditor's 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.

Dated at Sydney the 30<sup>th</sup> day of August 2012.

A handwritten signature in black ink, appearing to read 'Chris Kirkwood', written over the printed name.

**ESV Chartered Accountants**

A handwritten signature in black ink, appearing to read 'Chris Kirkwood', written over the printed name.

**Chris Kirkwood  
Partner**

## Corporate Governance

The Board of Directors of TFML Limited as Responsible Entity for P-REIT (an open ended unit trust) is responsible for the corporate governance practices that provide an appropriate framework for managing the Trust for the benefit of unitholders. Good corporate governance is a fundamental part of the culture and business practices of TFML. The Board has adopted comprehensive systems of control and accountability as the basis for administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with TFML's needs. To the extent they are applicable and appropriate for a company of TFML's size and nature, TFML has adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations Second Edition" and "Summary Table of the 30 June 2010 Changes to Second Edition of the Corporate Governance Principles and Recommendations".

Principle No	Recommendation	Compliance	Reason for Non-compliance
<b>Principle 1: Lay solid foundations for management and oversight</b>			
1.1	Establish the functions reserved to the Board and those delegated to Senior Executives and disclose those functions.	The Responsible Entity has appointed a Compliance Committee but for the purposes of corporate governance has largely adopted BlackWall's policies and procedures. The Responsible Entity and BlackWall operate with a flat management structure. The Chief Executive Officer and Chief Financial Officer are involved in the day-to-day operations of the business. Decisions at the Board level and the assessment of executive performance are based on reports received from the Chief Executive Officer and the consideration of issues by Executive and Non-Executive Directors at Board meetings.	Comply.
1.2	Disclose the process for evaluating the performance of Senior Executives.	The Responsible Entity does not directly employ executives or staff. The Board of TFML and the BlackWall Remuneration Committee (or full Board in absence of Remuneration Committee) will oversee the performance evaluation of the executive team. This will be based on specific criteria, including the business performance of TFML and the Trust, whether strategic objectives are being achieved and the development of management and personnel. Performance reviews of Senior Executives have taken place	Comply.

## Corporate Governance (continued)

Principle No	Recommendation	Compliance	Reason for Non-compliance
		during the reporting period and they were in accordance with the process above.	
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	The Board Charter can be accessed from BlackWall's website.	Comply.
<b>Principle 2: Structure the Board to add value</b>			
2.1	A majority of the Board should be Independent Directors.	<p>The Board has considered the guidance to Principle 2: Structure the Board to Add Value and in particular, Box 2.1, which contains a list of "relationships affecting independent status".</p> <p>Currently TFML Limited has one Independent Director, Mr Richard Hill, who is also the Chairman, and three Non-Independent Directors, Mr Brown, who acts in an executive capacity, and Mr Glew and Mr Tedder who act in a Non-Executive capacity.</p>	<p>The Directors monitor the business affairs of the Responsible Entity on behalf of the unitholders of the Trust with a specific focus on the profitability of business activities and the efficiency of its managers. In keeping with this consideration, Board positions are held by a majority of members who are significant unitholders. The Responsible Entity has not therefore adopted recommendations 2.1 and 2.2 of the ASX Corporate Governance Council.</p> <p>The Board's primary focus is on driving returns to unitholders by growing Net Tangible Assets and earnings per unit over the long term. The Board considers risk management and the ethical conduct of business.</p> <p>The Board is structured with a combination of skills and experiences. The Board members' skills and experience are consistent with the business operations that the Responsible Entity undertakes including:</p> <ul style="list-style-type: none"> <li>• Structured finance and fund management</li> <li>• Property management</li> </ul>

## Corporate Governance (continued)

Principle No	Recommendation	Compliance	Reason for Non-compliance
			and leasing <ul style="list-style-type: none"> <li>• Property development.</li> </ul> The Board considers risk management and the ethical conduct of business. In this regard the Board has established a Related Party Transactions Committee and an Audit Committee.
2.2	The Chair should be an Independent Director.	Refer to 2.1.	Comply.
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	TFML's Chairman and Chief Executive Officer are not the same person.	Comply.
2.4	The Board should establish a Nomination Committee.	The Responsible Entity does not foresee the Board composition changing in the near future and therefore has not established a Nomination Committee. The Board considers that the independence of a Director is not compromised simply by the fact that the Director is a significant investor in P-REIT.	The Board considers that no efficiencies or other benefits would be gained by establishing a separate committee. TFML has not, therefore, adopted Recommendation 2.4 of the ASX Corporate Governance Council.
2.5	Disclose the process for evaluating the performance of the Board, its Committees and individual Directors.	The full Board will arrange an annual performance evaluation of the Board, its Committees and individual Directors.	Comply.
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	The skills, experience and expertise relevant to the position held by each Director will be disclosed in the Directors' Report which forms part of the financial statements.  The Directors are entitled to take independent professional advice at the expense of the Responsible Entity. The period of office held by each Director will be disclosed in the	Comply.

## Corporate Governance (continued)

Principle No	Recommendation	Compliance	Reason for Non-compliance
		<p>Directors' Report which forms part of the financial statements.</p> <p>A statement will be included in the Directors' Report of the financial statements as to the mix of skills and diversity that the Board is looking to achieve in its membership.</p>	
<b>Principle 3: Promote ethical and responsible decision making</b>			
3.1	<p>Establish a code of conduct and disclose the code or a summary of the code as to:</p> <ul style="list-style-type: none"> <li>• The practice necessary to maintain confidence in the Company's integrity;</li> <li>• The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.</li> <li>• The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	<p>The Responsible Entity has adopted a Code of Conduct, which can be accessed at the BlackWall website, <a href="http://www.blackwallfunds.com.au">www.blackwallfunds.com.au</a>.</p>	Comply.
3.2	<p>Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually the objectives and the progress in achieving them.</p>	<p>The Responsible Entity has adopted a Diversity Policy which can be accessed at the BlackWall website, <a href="http://www.blackwallfunds.com.au">www.blackwallfunds.com.au</a>.</p>	Comply.
3.3	<p>Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the Diversity Policy and progress towards</p>	<p>The information will be disclosed in the Directors' Report of the Trust's financial statements.</p>	Comply.

## Corporate Governance (continued)

Principle No	Recommendation	Compliance	Reason for Non-compliance
	achieving them.		
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in Senior Executive positions and women on the Board.	The information will be disclosed in the Directors' Report of the Trust's financial statements.	Comply.
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	The information will be disclosed in the Directors' Report of the Trust's financial statements.	Comply.
<b>Principle 4: Safeguard integrity in financial reporting</b>			
4.1	The Board should establish an Audit Committee.	The Responsible Entity currently has a separate Audit Committee. The roles and responsibilities of the Audit Committee are set out in the Audit Committee Charter. This charter can be accessed at the BlackWall website, <a href="http://www.blackwallfunds.com.au">www.blackwallfunds.com.au</a> .	Comply.
4.2	<p>The Audit Committee should be structured so that it:</p> <ul style="list-style-type: none"> <li>• Consists only of Non-Executive Directors;</li> <li>• Consists of a majority of Independent Directors;</li> <li>• Is chaired by an independent chair, who is not chair of the Board;</li> <li>• Has at least three members.</li> </ul>	The Audit Committee consists of the two independent members of the Compliance Committee.	The Board has established an Audit Committee and adopted an Audit Charter. The Audit Committee consists of the independent members of the Compliance Committee. Given the composition of the Board and the size of the company, ASX Recommendation 4.2 is not complied with in all respects. The Board takes the view that the Committee as constituted can discharge its role effectively. The Committee reviews the auditing process for half-yearly and annual financial statements and meets prior to, during and post the audit to discuss. During meetings the Committee minutes its roles and responsibilities in regards to the audit addressing the need for a formal charter. The Committee has direct access to the auditor during the auditing period and the

## Corporate Governance (continued)

Principle No	Recommendation	Compliance	Reason for Non-compliance
			auditor attends the Committee meetings. The Committee may make recommendations to the Board.
4.3	The Audit Committee should have formal charter.	The formal charter can be accessed at the BlackWall website, <a href="http://www.blackwallfunds.com.au">www.blackwallfunds.com.au</a> .	Comply.
4.4	Provide the information in the Guide to reporting on Principle 4.	The Audit Committee will meet at least twice in each year, before sign off of the annual and half year financial statements.	Comply.
<b>Principle 5: Make timely and balanced disclosure</b>			
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements, ensure accountability at a Senior Executive level for that compliance and disclose those policies or a summary of those policies.	TFML will undertake timely market disclosures. The Chief Executive Officer in consultation with the Board will manage investor relations and the release of market sensitive information. The Responsible Entity will maintain a timetable for its compliance and periodic disclosure requirements.	Comply.
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	The information will be disclosed in the financial statements.	Comply.
<b>Principle 6: Respect the rights of shareholders</b>			
6.1	Design a communications policy for promoting effective communications with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	The Responsible Entity undertakes a number of measures to ensure its unitholders are informed of its operations including: <ul style="list-style-type: none"> <li>• The Non-Executive Directors and Chief Executive Officer are available to meet or speak to unitholders;</li> <li>• The Non-Executive Directors and Chief Executive Officer make themselves available to independent research houses, brokers and other participants in the financial markets;</li> </ul>	Comply.



## Corporate Governance (continued)

Principle No	Recommendation	Compliance	Reason for Non-compliance
		<ul style="list-style-type: none"> <li>• Making available P-REIT's annual and half-yearly reports electronically via email and website;</li> <li>• Enabling access to P-REIT's external auditor at the Annual General Meeting; and</li> <li>• Placing on its website all releases to the ASX and the media, and full notices of all meetings and the Trust's information on its website including access to archived information.</li> </ul>	
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	The information will be disclosed in the financial statements.	Comply.
<b>Principle 7: Recognise and manage risk</b>			
7.1	Establish policies for the oversight and management of material business risk and disclose a summary of those policies.	The Responsible Entity and BlackWall have adopted a Risk Management Policy. This Policy outlines the key material risks faced by P-REIT.	Comply.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Trust's material business risks and report to it on whether those risks are being managed efficiently. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	The Responsible Entity and BlackWall identify and manage risk through a framework managed by the Chief Executive Officer. Risks are reported to the Board by management at each Board meeting and the Chairman may call an extraordinary meeting when circumstances require.	Comply.
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration	The Board will receive assurance in the form of a declaration from the Chief Executive Officer and the Chief Financial Officer as required by the Corporations Act 2001.	Comply.

## Corporate Governance (continued)

Principle No	Recommendation	Compliance	Reason for Non-compliance
	provided in accordance with section 295A of the Corporations Acts 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.		
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	The information will be disclosed in the financial statements.	Comply.
<b>Principle 8: Remunerate fairly and responsibly</b>			
8.1	The Board should establish a Remuneration Committee.	The Responsible Entity does not directly employ executives or staff.	The Responsible Entity does not directly employ executives or staff.
8.2	The Remuneration Committee should be structured so that it: <ul style="list-style-type: none"> <li>• Consists of a majority of Independent Directors;</li> <li>• Is chaired by an Independent Director; and</li> <li>• Has a least three members.</li> </ul>	Refer 8.1	Refer 8.1
8.3	Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and Senior Executives.	Refer 8.1	Refer 8.1
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Refer 8.1	Refer 8.1

## ASX Additional Information

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The unitholder information set out below was current as at 24 August 2012.

### 1. Unitholders

The Trust's top 20 largest unitholdings were:

	<b>Investor</b>	<b>Units (No.)</b>	<b>Units (%)</b>
1	Kirela Pty Ltd ATF Kirela Development Unit Trust	43,460,337	20.94
2	Sandhurst Trustees Ltd ACF MacarthurCook PSF A/C	22,581,875	10.88
3	Australian Executor Trustees Ltd ACF Tankstream Property Investments Fund	19,238,234	9.27
4	BlackWall Property Funds Ltd	12,173,489	5.87
5	Pelorus Private Equity Ltd	11,615,594	5.60
6	Vintage Capital Pty Ltd	10,236,859	4.93
7	Jagar Property Consultants Pty Ltd	6,539,664	3.15
8	JP Morgan Nominees Australia Limited ACF Multiplex Income UPT Domestic Investment Trust	5,515,213	2.66
9	TFML Limited	5,000,000	2.41
10	Trust Company of Australia Ltd ACF Diversified Property Fund	4,842,058	2.33
11	Koonta Pty Ltd ATF Koonta Superannuation Fund	4,154,347	2.00
12	Trust Company Limited ACF Recap Enhanced Income Fund	3,770,251	1.82
13	Benyaya Holdings Pty Ltd	2,764,732	1.33
14	Harmareed Pty Ltd ATF The Reed Superannuation Fund	2,159,942	1.04
15	Seno Management Pty Ltd ATF Seno Superannuation Fund	2,000,000	0.96
16	Midhurst Associates Pty Ltd ATF Midhurst Superannuation Fund	1,600,000	0.77
17	Netwealth Investments Ltd <WRAP Services A/C>	1,375,843	0.66
18	I P R Nominees Pty Ltd <1965 Irvin Peter Rockman A/C>	1,252,033	0.60
19	Mr Andrew Craig Irvine & Ms Beverley Frances Irvine <Ac&Bf Irvine Family A/C>	1,151,142	0.55
20	Excalibur Trading Pty Ltd	1,028,381	0.52

## ASX Additional Information (continued)

### 2. Distribution of Shareholders

The distribution of unitholders by size of holding was:

Category	No. of Holders
1-1,000	1
1,001-5,000	57
5,001-10,000	133
10,001-100,000	513
100,001 and over	117
<b>Total number of unitholders</b>	<b>821</b>

P-REIT has 88 holders of less than a marketable parcel. The Trust has 207,524,039 units on issue as at 24 August 2012. All units carry one vote per unit without restrictions. All units are quoted on the Australian Securities Exchange (ASX Code: PXT).

### 3. Substantial Unitholders

Substantial unitholders in the Trust are set out below:

Investor	Units (No.)	Units (%)
Joseph (Seph) Glew and Paul Tresidder	52,150,000	25.13
Sandhurst Trustees Ltd ACF MacarthurCook PSF A/C	22,581,875	10.88
Australian Executor Trustees Ltd ACF Tankstream Property Investments Fund	19,238,234	9.27
BlackWall Property Funds Ltd	17,173,489	8.28
Pelorus Private Equity Ltd	11,615,594	5.60

## Trust Details

The Responsible Entity's details are as follows:

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Registered office and principal place of business	TFML Limited Level 1, 50 Yeo Street Neutral Bay NSW 2089
Telephone	02 9033 8611
Fax	02 9033 8600
Website	<a href="http://www.blackwallfunds.com.au">www.blackwallfunds.com.au</a>
Registry	Computershare Investor Services Pty Limited 60 Carrington Street Sydney NSW 2000 <a href="http://www.computershare.com.au">www.computershare.com.au</a>

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**Consolidated Statement of Comprehensive Income**  
**For the Year Ended 30 June 2012**

	Notes	2012 \$'000	2011 \$'000
Rental income		10,261	9,604
Dividends and distributions		2,226	443
Interest income		37	41
Other income		297	-
Unrealised gain on revaluation of investment properties		2,394	1,231
<b>Total Revenue</b>	4	<b>15,215</b>	<b>11,319</b>
Property outgoings		(2,136)	(1,887)
Custodian fees		(23)	(20)
Administration expenses		(1,053)	(967)
Finance costs	5	(4,783)	(5,163)
Unrealised loss on revaluation of financial assets and financial instruments	5	(2,556)	(1,046)
Other operating expenses		(462)	(354)
Loss on sale of investments		(9)	-
Litigation expenses	5, 16	(19,719)	(286)
<b>Profit / (Loss) For the Year</b>		<b>(15,526)</b>	<b>1,596</b>
<b>Other Comprehensive Income / (Loss)</b>			
Unrealised gain/(loss) on available-for-sale investments taken to equity		(602)	353
<b>Other Comprehensive Income / (Loss) For the Year</b>		<b>(602)</b>	<b>353</b>
<b>Total Comprehensive Income / (Loss) For the Year</b>		<b>(16,128)</b>	<b>1,949</b>
<b>Earnings / (Loss) Per Unit</b>			
Basic and diluted earnings/(loss) per unit	18	(\$ 0.07)	\$ 0.01

The accompanying notes form part of these consolidated financial statements.

**Consolidated Statement of Financial Position**

**As at 30 June 2012**

	Note	2012 \$'000	2011 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	1,306	450
Trade and other receivables	7	455	75
Other assets	8	373	512
<b>Total Current Assets</b>		2,134	1,037
<b>Non-Current Assets</b>			
Available-for-sale financial assets	9	37,451	38,309
Financial assets at fair value through profit and loss	10	917	2,522
Investment properties	11	81,350	78,375
<b>Total Non-Current Assets</b>		119,718	119,206
<b>TOTAL ASSETS</b>		<b>121,852</b>	<b>120,243</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	525	411
Other liabilities	13	102	71
Borrowings	14	55,580	2,900
Derivative financial instruments	15	1,069	-
Provision	16	19,000	-
<b>Total Current Liabilities</b>		76,276	3,382
<b>Non-Current Liabilities</b>			
Derivative financial instruments	15	-	129
Borrowings	14	-	54,980
<b>Total Non-Current Liabilities</b>		-	55,109
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>		<b>76,276</b>	<b>58,491</b>
Net Assets Attributable to Unitholders		45,576	61,752
<b>TOTAL LIABILITIES</b>		<b>121,852</b>	<b>120,243</b>

The accompanying notes form part of these consolidated financial statements.

**Consolidated Statement of Changes in Net Assets Attributable to Unitholders  
For the Year Ended 30 June 2012**

	Units on Issue No.'000	Issued Units \$'000	Retained Earnings / (Accumulated Losses) \$'000	Amounts recognised in equity relating to assets classified as available-for- sale \$'000	Total \$'000
<b>Balance at 1 July 2011</b>	<b>207,524</b>	<b>106,006</b>	<b>(44,607)</b>	<b>353</b>	<b>61,752</b>
Loss for the year	-	-	(15,526)	-	(15,526)
Other comprehensive loss	-	-	-	(602)	(602)
Listing costs	-	(48)	-	-	(48)
<b>Balance at 30 June 2012</b>	<b>207,524</b>	<b>105,958</b>	<b>(60,133)</b>	<b>(249)</b>	<b>45,576</b>
<b>Balance at 1 July 2010</b>	<b>79,123</b>	<b>70,343</b>	<b>(46,203)</b>	-	<b>24,140</b>
Profit for the year	-	-	1,596	-	1,596
Other comprehensive income	-	-	-	353	353
Issue of units	128,401	38,695	-	-	38,695
Return of capital	-	(3,000)	-	-	(3,000)
Listing costs	-	(32)	-	-	(32)
<b>Balance at 30 June 2011</b>	<b>207,524</b>	<b>106,006</b>	<b>(44,607)</b>	<b>353</b>	<b>61,752</b>

The accompanying notes form part of these consolidated financial statements.



**Consolidated Statement of Cash Flows**

**As at 30 June 2012**

	Notes	2012 \$'000	2011 \$'000
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		10,709	10,290
Payments to suppliers		(4,326)	(4,407)
Litigation expenses		(552)	(286)
Distributions received		596	373
Interest paid		(4,670)	(5,074)
Interest received		1,274	41
<b>Net Cash Flows From Operating Activities</b>	21	<b>3,031</b>	<b>937</b>
<b>Cash Flows From Investing Activities</b>			
Payments for purchase of securities		(149)	(700)
Payments for purchase of plant & equipment		(42)	(30)
Proceeds from disposal and redemption of securities		396	-
<b>Net Cash Flows From/(Used in) Investing Activities</b>		<b>205</b>	<b>(730)</b>
<b>Cash Flows From Financing Activities</b>			
Payments for listing costs		(80)	(32)
Repayment of borrowings		(2,300)	(792)
<b>Net Cash Flows Used in Financing Activities</b>		<b>(2,380)</b>	<b>(824)</b>
<b>Net Increase / (Decrease) in Cash Held</b>			
Cash and cash equivalents at the beginning of the year		450	1,067
<b>Cash and Cash Equivalents at End of the Year</b>	6	<b>1,306</b>	<b>450</b>

The accompanying notes form part of these consolidated financial statements.

## Notes to the Consolidated Financial Statements

### For the Year Ended 30 June 2012

#### 1. Statement of Significant Accounting Policies

The financial statements cover the economic entity of P-REIT and its controlled entity, the Yandina Sub-trust (together referred to as “the Trust”). P-REIT is a registered managed investment scheme incorporated under the Corporations Act 2001 in Australia. The Yandina Sub-trust is a discretionary trust established and domiciled in Australia.

TFML Limited is the Responsible Entity and investment manager of the Trust. At a meeting of unitholders held on 9 May 2012 resolutions were passed to remove RFML Limited (subsequently changed name to Zhaofeng Funds Management Limited) as Responsible Entity for P-REIT and appoint TFML Limited as the new Responsible Entity of P-REIT.

The Trust Company Limited is the Custodian of the Trust. The relationship of these parties with the Trust is governed by the terms and conditions specified in the Constitution.

The financial statements for the Trust for the year ended 30 June 2012 were authorised for issue in accordance with the resolution of the Directors of the Responsible Entity on 30 August 2012.

#### Basis of Preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements of the Trust also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The Trust is a group of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors’ Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

The following is a summary of the material accounting policies adopted by the Trust in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

#### New and amended standards adopted

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, the adoption of the revised AASB 124 Related Party Disclosures were reflected in Note 25, and the adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project enabled the removal of certain disclosures in relation to commitments.

## Notes to the Consolidated Financial Statements

### For the Year Ended 30 June 2012

#### 1. Statement of Significant Accounting Policies (continued)

##### Going concern

In assessing if it is appropriate to prepare these financial statements on a going concern basis the Directors have considered the following factors:

- The Trust borrowings of \$55,580,000 (at 30 June, now \$54,500,000) is classified as a current liability as it has a term to maturity of less than 12 months, it is outside of its loan to value ratio covenant (direct property to debt – currently 67% against a covenant of 65%) and the Judgment disclosed above constitutes a review event or breach under the facility;
- The Judgment gives rise to a current liability of \$19,000,000;
- The Judgment gives rise to a litigation expense which generates a loss of \$15,526,000 (a \$3.5 million profit if the Judgment is not brought to account);
- The Trust has non-current assets of \$119.7 million (\$81.4 million direct property and \$37.5 million property securities);
- The Trust's direct property portfolio has no material vacancies or bad debts; and
- Pending the determination of the appeal it is likely that the court or MPS will not consent to the Trust paying distributions to its members. As a consequence all free cashflow will be applied to debt amortisation.

The Trust has over \$121 million of gross assets to satisfy total liabilities of \$76 million (including the Judgment). As a consequence the Directors have concluded that it is reasonable to assume that:

- The Trust's borrowing will either be extended by the current lender or can be refinanced; and
- If the Trust is unsuccessful in its appeal (and any subsequent appeals to higher appellant courts) the Trust can sell assets to fund the Judgment debt.

The Directors have therefore taken the view that it is appropriate to prepare these financial statements on a going concern basis.

##### Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Any change of presentation has been made in order to make the financial statements more relevant and useful to the user.

##### Presentation currency

Both the functional and presentation currency of the Trust is Australian dollars.

##### Principles of Consolidation

##### Controlled entities

The consolidated financial statements comprise the financial statements of P-REIT and its controlled entity as at 30 June 2012 (refer to Note 24). The controlled entity has a June financial year end and uses consistent accounting policies. Investments in the controlled entity held by the parent entity are accounted for at cost less any impairment charges (refer to Note 26).

## Notes to the Consolidated Financial Statements

### For the Year Ended 30 June 2012

#### 1. Statement of Significant Accounting Policies (continued)

##### Controlled entities (continued)

Acquisitions of controlled entities are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by P-REIT in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where a controlled entity has entered or left the economic entity during the year, its operating results have been included from the date control was obtained or until the date control ceased.

A controlled entity is an entity P-REIT has the power to control the financial and operating policies of so as to obtain benefits from its activities.

##### Inter-entity balances

All inter-entity balances and transactions between entities in the Trust, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of the controlled entity have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

##### Impairment of assets

At each reporting date, the Trust reviews the carrying values of its 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. In assessing value in use, either the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, or the income of the asset is capitalised at its relevant capitalisation rate.

An impairment loss is recognised if the carrying value of an asset exceeds its recoverable amount. Impairment losses are expensed to the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication 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 has been recognised.

##### Financial Instruments

##### Derivative financial instruments and hedging

The Trust uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The fair values of interest rate swaps are determined by reference to market values for similar instruments. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss for the year.

## Notes to the Consolidated Financial Statements

### For the Year Ended 30 June 2012

#### 1. Statement of Significant Accounting Policies (continued)

##### Non-derivative financial instruments

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

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

##### Recognition

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

##### Loans and receivables

Loans and receivables including loans to related entities and to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

##### Available-for-sale financial assets

The Trust's investments in related party unlisted unit trusts are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value. Unrealised gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

##### Financial assets at fair value through profit and loss

Investments in financial assets at fair value through profit and loss are initially and in subsequent periods carried at fair value. Gains or losses arising from changes in the fair value are presented in the statement of comprehensive income in the period in which they arise. Distribution income from financial assets accounted at fair value through the profit and loss is recognised in the statement of comprehensive income as part of the revenue.

##### Fair value

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance date. For investments in related party unlisted unit trusts, fair values are determined by reference to published unit prices of these investments which are based on the net tangible assets of each of the investments.

## Notes to the Consolidated Financial Statements

### For the Year Ended 30 June 2012

#### 1. Statement of Significant Accounting Policies (continued)

##### **Impairment**

At each reporting date, the Trust assesses whether there is objective evidence that a financial instrument has been impaired. A financial instrument 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. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

An impairment loss in respect of a financial instrument 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. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

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

Impairment losses are recognised in the statement of comprehensive income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial instruments measured at amortised cost, the reversal is recognised in profit and loss.

##### **Financial liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

##### **Investment Properties**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise. Included in the value measurement are adjustments for straightlining of lease income.

##### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

##### **Trade and Other Receivables**

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when there is objective evidence that the Trust will not be able to collect the receivable. Financial difficulties of the debtor and default payments are considered objective evidence of impairment. Bad debts are written off when identified as uncollectable.

## Notes to the Consolidated Financial Statements

### For the Year Ended 30 June 2012

#### 1. Statement of Significant Accounting Policies (continued)

##### Trade and Other Payables

Liabilities for trade creditors are carried at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed to the Trust at balance date. The amounts are unsecured and are usually paid within 30 days of recognition.

##### Interest Bearing Borrowings

Interest bearing borrowings are initially recognised at fair value less any related transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost.

##### Provisions

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

Where the Trust expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

##### Revenue

##### Property income

Property income comprises rental and recovery of outgoings from property tenants. Rental income from investment properties is accounted for on a straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of total rental income.

##### Investment income

Finance income comprises interest on funds invested, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit and loss.

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate.

Dividend revenue is recognised when the right to receive a dividend has been established, which in the case of quoted securities is the ex-dividend date.

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

##### Income Tax

Under current income tax legislation the Trust is not liable to Australian income tax provided the unitholders are presently entitled to the taxable income of the Trust.

## Notes to the Consolidated Financial Statements

### For the Year Ended 30 June 2012

#### 1. Statement of Significant Accounting Policies (continued)

##### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

##### Earnings / (Loss) Per Unit

The Trust presents basic and diluted earnings / (loss) per unit (EPU) data for its units. Basic EPU is calculated by dividing the profit or loss attributable to ordinary unitholders of the Trust by the weighted average number of units outstanding during the period. Diluted EPU is determined by adjusting the profit or loss attributable to ordinary unitholders and the weighted average number of units outstanding for the effects of all dilutive potential units.

##### New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Trust's assessment of the impact of these new standards and interpretations is set out below.

*(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2015)*

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Trust's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, unrealised gains of \$353,000 (2011: \$Nil) on Bakehouse Bonds were included as other comprehensive income.

There will be no impact on the Trust's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Trust does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Trust has not yet decided when to adopt AASB 9.

*(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)*



## Notes to the Consolidated Financial Statements

### For the Year Ended 30 June 2012

#### 1. Statement of Significant Accounting Policies (continued)

##### New Accounting Standards and Interpretations (continued)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Trust does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The Trust is not affected by this standard as it does not have any joint arrangements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Trust will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Trust's investments. The Trust is not affected by these amendments.

The Trust does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

*(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)*

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Trust has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Trust does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

*(iv) AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*

This amendment requires entities to separate items presented in other comprehensive income into two groups, based upon whether they might be recycled to profit and loss in the future. The Trust has not yet assessed the impact of the amendments, if any.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## Notes to the Consolidated Financial Statements

### For the Year Ended 30 June 2012

#### 2. Critical Accounting Estimates and Judgments

The Directors of the Responsible Entity evaluate estimates and judgments 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 Trust.

##### *Key estimates - impairment*

The Trust assesses impairment at each reporting date by evaluating conditions specific to the Trust that may lead to impairment of assets. The Directors of the Responsible Entity believed it appropriate to raise no impairment provisions for the year ended 30 June 2012 except for the provisions for impairment recognised under Note 7.

##### *Key estimates - available-for-sale financial assets*

Investments in unlisted securities and debt instruments have been classified as available-for-sale financial assets and movements in fair value are recognised directly in the asset revaluation reserve. The fair value of the unlisted securities is determined by reference to the net assets of the underlying entities. The fair value of the listed securities is based on the closing price from the Australian Securities Exchange as at the reporting date. The fair value of the Bakehouse Bonds is measured by its face value adjusted for CPI movements.

##### *Key estimates - fair values of investment properties*

The Trust carries its investment properties at fair value with changes in the fair values recognised in profit or loss. It obtains independent valuations at least every three years. At the end of each reporting period, the Directors of the Responsible Entity update their assessment of the fair value of each property, taking into account the most recent independent valuations. The key assumptions used in this determination are set out in Note 11. If there is any material change in the key assumptions due to changes in economic conditions, the fair value of the investment properties may differ and may need to be re-estimated.

#### 3. Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Trust that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Trust's primary format for segment reporting is based on business segments. The business segments are determined based on the Trust management and internal reporting structure. There is only one geographical segment being Australia.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Trust has adopted three reporting segments, Direct Property, Other Investments and Corporate. The Direct Property segment includes the ownership and leasing out of commercial, industrial and retail properties in Australian Capital Territory, New South Wales and Queensland. Income is derived from rent and property revaluations. The Other Investments segment includes interests in debt instruments and property related securities such as units in unlisted unit trusts. It generates income from dividends, distributions, and interest. The Corporate segment covers general functions.

**Notes to the Consolidated Financial Statements**

**For the Year Ended 30 June 2012**

**3. Segment Information (continued)**

The segment information for the year ended 30 June 2012 is as follows:

	<b>Direct Property \$'000</b>	<b>Other Investments \$'000</b>	<b>Corporate \$'000</b>	<b>Consolidated Total \$'000</b>
<b>30 June 2012</b>				
Sales to external customers	10,298	2,523	-	12,821
Unrealised gain on revaluation	2,394	-	-	2,394
<b>Total segment revenue</b>	<b>12,692</b>	<b>2,523</b>	<b>-</b>	<b>15,215</b>
Segment operating profit	9,328	2,204	-	11,532
Unrealised loss on revaluation	(951)	(1,605)	-	(2,556)
Finance costs	(4,783)	-	-	(4,783)
Litigation expenses	-	-	(19,719)	(19,719)
<b>Profit / (loss) for the year</b>	<b>3,594</b>	<b>599</b>	<b>(19,719)</b>	<b>(15,526)</b>

	<b>Direct Property \$'000</b>	<b>Other Investments \$'000</b>	<b>Corporate \$'000</b>	<b>Consolidated Total \$'000</b>
<b>30 June 2011</b>				
Sales to external customers	9,645	443	-	10,088
Unrealised gain on revaluation	1,231	-	-	1,231
<b>Total segment revenue</b>	<b>10,876</b>	<b>443</b>	<b>-</b>	<b>11,319</b>
Segment operating profit	7,718	373	-	8,091
Unrealised loss on revaluation	(129)	(917)	-	(1,046)
Finance costs	(5,163)	-	-	(5,163)
Litigation expenses	-	-	(286)	(286)
<b>Profit / (loss) for the year</b>	<b>2,426</b>	<b>(544)</b>	<b>(286)</b>	<b>1,596</b>

<b>30 June 2012</b>				
Segment assets	82,906	38,946	-	121,852
Segment liabilities	(57,077)	(199)	(19,000)	(76,276)
<b>30 June 2011</b>				
Segment assets	79,343	40,900	-	120,243
Segment liabilities	(58,457)	(34)	-	(58,491)

**4. Revenue**

	<b>2012 \$'000</b>	<b>2011 \$'000</b>
Rent	10,261	9,604
Investment income		
- Dividends and distributions	2,226	443
- Finance income	37	41
	<u>2,263</u>	<u>484</u>
Other income (*)	297	-
Unrealised gain on revaluation of investment properties	2,394	1,231
<b>Total revenue</b>	<b><u>15,215</u></b>	<b><u>11,319</u></b>

\* This income was later provided for in full as at 30 June 2012. Refer to Note 7.

**Notes to the Consolidated Financial Statements**

**For the Year Ended 30 June 2012**

**5. Expenses**

	Notes	2012 \$'000	2011 \$'000
Finance costs		4,783	5,163
Unrealised loss on revaluation of financial instruments:			
- financial assets through profit and loss		1,605	917
- derivative financial instruments		940	129
- impairment of trade receivables and other assets		11	-
		2,556	1,046
Litigation expenses	16	19,719	286

**6. Current Assets - Cash and Cash Equivalents**

	2012 \$'000	2011 \$'000
Cash at bank	706	450
Cash on deposit	600	-
<b>Total cash and cash equivalents</b>	<b>1,306</b>	<b>450</b>

An amount of \$600,000 was held as cash on deposit on 29 June 2012 and was used to settle part of the \$1,080,000 repayment to the borrowings (refer to Note 14) by the same financial institution simultaneously on 9 July 2012.

**(a) Effective interest rate**

Cash at bank earns interest at floating rates based on daily bank deposit rates.

**(b) Reconciliation of cash**

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the statement of financial position as follows:

	2012 \$'000	2011 \$'000
Cash and cash equivalents	1,306	450
<b>Total cash and cash equivalents</b>	<b>1,306</b>	<b>450</b>

**7. Current Assets - Trade and Other Receivables**

	2012 \$'000	2011 \$'000
Trade receivables, net of impairment:		
- Other parties	406	6
Distribution receivables	49	69
<b>Total Trade and Other Receivables</b>	<b>455</b>	<b>75</b>

A net amount of \$11,000 of receivables was impaired as at 30 June 2012 (2011: \$Nil).

**Notes to the Consolidated Financial Statements**

**For the Year Ended 30 June 2012**

**8. Current Assets - Other Assets**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepayments	373	512
<b>Total other assets</b>	<b>373</b>	<b>512</b>

**9. Non-current Assets – Available-for-sale Financial Assets**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Available-for-sale financial assets	37,451	38,309
<b>Total available-for-sale financial assets</b>	<b>37,451</b>	<b>38,309</b>

**(a) Available-for-sale financial assets**

Bakehouse Bonds	30,353	30,000
Unlisted managed investment schemes	7,098	8,309
<b>Total available-for-sale financial assets</b>	<b>37,451</b>	<b>38,309</b>

The Bakehouse Bonds are CPI linked debt instruments against a large scale mixed use property known as the Bakehouse Quarter in North Strathfield, Sydney. The Bonds' face value of \$30 million is indexed to CPI and the current value at 30 June 2012 is \$30.353 million. The Bonds will mature on 30 June 2020. In addition, a coupon of 5.5% per annum is paid quarterly in arrears.

All other available-for-sale assets are investments in various managed investment schemes.

**10. Non-current Assets - Financial Assets At Fair Value Through Profit and Loss**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Investments - BlackWall Pub Group	917	2,522
<b>Total financial assets at fair value through profit and loss</b>	<b>917</b>	<b>2,522</b>

The Trust holds a 34.1% interest (2011: 36.8%) in the BlackWall Pub Group, a related entity.

**11. Non-current Assets - Investment Properties**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Chancellor Homemaker Centre	20,400	19,900
Silver @ The Exchange	18,250	18,000
APN Yandina	24,100	23,100
BlueScope Coolum	4,700	4,375
Canberra Eye Hospital	7,900	7,300
APN Toowoomba	6,000	5,700
<b>Total investment properties</b>	<b>81,350</b>	<b>78,375</b>

**Notes to the Consolidated Financial Statements**

**For the Year Ended 30 June 2012**

**11. Non-current Assets - Investment Properties (continued)**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Movements in investment properties:		
Balance at the beginning of the financial year	78,375	76,775
Additions (subsequent expenditures)	581	369
Revaluation	2,394	1,231
<b>Balance at the end of the financial year</b>	<b>81,350</b>	<b>78,375</b>

The Trust obtained independent valuations for its investment properties Silver @ The Exchange, APN Yandina and Canberra Eye Hospital in February 2012. The valuations were performed by registered independent valuers under the instructions from the Trust's bank based on an active market by reference to recent market sales of similar properties around the area. The valuations are also based on common valuation methodologies including capitalisation rate, capitalised income projections and discounted cash flow projections.

During the year, the Directors also updated their assessment of the fair value of Chancellor Homemaker Centre, BlueScope Coolum and APN Toowoomba. The key assumptions of the Directors' valuations have been taken from the last independent valuation reports (June 2010) performed for these investment properties with adjustments made for changes in net income since the previous independent valuations.

Independent and Directors' valuations conducted during the year were based on the following capitalisation rates (initial yield):

Chancellor Homemaker	9.75%
Silver @ The Exchange	10.00%
APN Yandina	9.50%
BlueScope Coolum	8.25%
Canberra Eye Hospital	8.25%
APN Toowoomba	10.00%

**12. Current Liabilities - Trade and Other Payables**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables:		
- Related parties	81	35
- Other parties	401	240
	<u>482</u>	<u>275</u>
Sundry payables and accrued expenses	43	136
<b>Total trade and other payables</b>	<b>525</b>	<b>411</b>

Further information relating to trade payables from related parties is set out in Note 25.

**Notes to the Consolidated Financial Statements**

**For the Year Ended 30 June 2012**

**13. Current Liabilities - Other liabilities**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Rental income received in advance	102	71
<b>Total other liabilities</b>	<b>102</b>	<b>71</b>

**14. Current and Non-current Liabilities - Borrowings**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Current - secured bank bill facilities	55,580	2,900
Non-current - secured bank bill facilities	-	54,980
<b>Total borrowings</b>	<b>55,580</b>	<b>57,880</b>

The bill facilities are secured by registered first mortgages over the freehold land and buildings (refer to Note 11). During the financial year \$2,300,000 of debt has been repaid to the Trust's lenders. On 9 July 2012, the Trust repaid a further \$1,080,000 to reduce the debt to \$54.5 million.

The Trust borrowings of \$55,580,000 (at 30 June, now \$54,500,000) is classified as a current liability as it has a term to maturity of less than 12 months. The facility is outside of its loan to value ratio covenant (direct property to debt – currently 67% against a covenant of 65%) and the Judgment disclosed in the Director's Report constitutes a review event or breach under the facility.

The Trust's debt facilities are based on the following terms:

- Total facilities are due for renewal in 30 April 2013.
- Facilities incur an all up margin of around 3.25%, including credit margin and treasury margin.
- Amortisation of \$600,000 quarterly until expiry.

\$29 million of the borrowings are hedged at fixed interest rates. Refer to Note 15 for further details. The average interest rate on the facility for the year was 7.76% (2011: 7.81%).

**15. Current and Non-current Liabilities – Derivative Financial Instruments**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Current - derivative financial instruments	1,069	-
Non-current - derivative financial instruments	-	129
<b>Total derivative financial instruments</b>	<b>1,069</b>	<b>129</b>

The Trust is a party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates. The Trust has entered into interest rate swap contracts to protect part of the interest bearing liabilities (\$29 million) from exposure to increasing interest rates. The gain or loss from remeasuring the hedging instruments at fair value is recognised in profit or loss. The increase from June 2011 to June 2012 is a result of the reduction in interest swap rates over the financial year. The terms of the hedges are:

- \$10 million swapped at 5.22% to 9 June 2014.
- \$9 million swapped at 4.22% to 10 November 2014.
- \$10 million swapped at 5.26% to 1 June 2014.

**Notes to the Consolidated Financial Statements**

**For the Year Ended 30 June 2012**

**16. Provision**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Provision for litigation costs	19,000	-
<b>Total provision</b>	<b>19,000</b>	<b>-</b>

TFML (as P-REIT's Responsible Entity) is a defendant in a Supreme Court action initiated by the MPS. The proceedings relate to a series of transactions entered into before TFML became Responsible Entity of P-REIT. On 10 August 2012 judgment was entered against TFML for approximately \$17.8 million including Judgment court interest (to the date of Judgment) but excluding costs. Further information on the Judgment can be found in the Review of Operations section of the Directors' Report. TFML is appealing the decision, however given the Judgment, a provision for litigation claim of \$19 million (including a plaintiff's cost estimate of \$1.2 million), has been included in the accounts.

**17. Distributions**

There were no distributions paid or declared for the year ended 30 June 2012 (2011: \$nil).

**18. Earnings / (Loss) Per Unit**

	<b>2012</b>	<b>2011</b>
Basic and diluted earnings/(loss) per unit	(\$0.07)	\$0.01
Calculated as follows:		
Profit / (loss) for the year	(\$15,526,000)	\$1,596,000
Weighted average number of units for basic and diluted earnings per unit	207,524,039	146,682,705

**19. Auditors' Remuneration**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Remuneration of ESV (the auditor of the Trust) for:		
- auditing or reviewing the financial statements for the Trust	51	46
- taxation and compliance services	19	15
<b>Total auditors' remuneration</b>	<b>70</b>	<b>61</b>

**20. Lease Commitments Receivable**

Future minimum rental receivable under non-cancellable operating leases as at 30 June are as follows:

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Lease commitments receivable:		
- receivable within 1 year	7,788	7,740
- receivable within 2 – 5 years	22,501	24,929
- receivable more than 5 years	30,080	32,618
<b>Total lease commitments receivable</b>	<b>60,369</b>	<b>65,287</b>

There are no operating lease commitments payable or any other capital commitments as at 30 June 2012 (2011: Nil).



**Notes to the Consolidated Financial Statements**

**For the Year Ended 30 June 2012**

**21. Reconciliation of Operating Cash Flows**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit/(loss) for the year	(15,526)	1,596
Non-cash flows in profit:		
- Unrealised (gains)/losses on investments	151	(185)
- Straightlined rental income	(539)	(339)
- Loss on sale of financial assets	9	-
- Litigation expenses	19,000	
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(295)	38
Increase/(decrease) in trade and other payables	199	(191)
Increase in other liabilities	32	18
<b>Net cash flows from operating activities</b>	<b>3,031</b>	<b>937</b>

**22. Contingent Assets and Contingent Liabilities**

There are no other contingent liabilities or contingent assets as at 30 June 2012.

**23. Subsequent Events**

On 9 July 2012 \$1.08 million of borrowings was repaid to the Trust's lender (refer to Note 14).

On 10 August 2012 Judgment was entered against TFML as P-REIT's Responsible Entity in a Supreme Court action initiated by MPS. For full disclosure refer to the Directors' Report and Note 16.

Other than the other matters referred to in these financial statements, to the best knowledge of the Directors, there have been no other matters or circumstances that have arisen since the end of the year that have materially affected or may materially affect the Trust's operations in future financial years, the results of those operations or the Trust's state of affairs in future financial years.

**24. Controlled Entities**

Name	Country of incorporation	Percentage Owned	
		2012	2011
		%	%
<b>Parent entity:</b>			
P-REIT	Australia	100	100
<b>Controlled entity of parent entity:</b>			
Yandina Sub-trust	Australia	100	100

**Notes to the Consolidated Financial Statements**

**For the Year Ended 30 June 2012**

**25. Related Party Transactions**

**(a) Related Entities**

The Trust is managed by TFML Limited as Responsible Entity (changed on 9 May 2012 from RFML Limited now known as Zhaofeng Funds Management Limited) and investment manager. BlackWall Property Funds Limited is the ultimate parent of TFML Limited.

The Directors of TFML Limited are key management personnel of the Trust. The names of persons holding position of Directors of Zhaofeng Funds Management Limited and TFML Limited during the year until the signing of this report unless otherwise stated are:

**Zhaofeng Funds Management Limited**

Joseph (Seph) Glew  
Stuart Brown  
Tim Brown

**TFML Limited**

Joseph (Seph) Glew  
Stuart Brown  
Robin Tedder  
Richard Hill

**(b) Interests in Related Parties**

During the year the Trust owned units in the following funds. The funds and the Trust have a common Responsible Entity or Investment Manager, TFML Limited.

Fund	Unitholdings (units)		Distribution Received (\$'000)	
	2012	2011	2012	2011
BlackWall Storage Fund	-	260,000	26	18
BlackWall Pub Group	22,923,810	22,923,810	-	-
BlackWall Penrith Fund No. 2	1,050,000	1,000,000	85	93
WRV Unit Trust	175,000	125,000	10	-
	<b>24,148,810</b>	<b>24,308,810</b>	<b>121</b>	<b>111</b>

The Trust also holds Bakehouse Bonds with a fair value of \$30.353 million (refer to Note 9).

**(c) Related Entity Transactions**

In accordance with the terms of the Trust Constitution and the product disclosure statement, the Responsible Entity and Investment Manager is entitled to receive a management fee based on 0.65% p.a. of the value of the Trust's assets.

**Notes to the Consolidated Financial Statements**

**For the Year Ended 30 June 2012**

**25 Related Party Transactions (continued)**

**(c) Related Entity Transactions (continued)**

The Custodian is remunerated for the performance of its duties. Custody fee is calculated at the greater of \$15,000 p.a. or 0.025% p.a. of the gross asset value of the Trust, plus GST.

All transactions with related parties were made on normal commercial terms and conditions and at market rates, and were approved by the Board where applicable.

Related party transactions that occurred during the year other than those described in (a) to (c) above are as follows:

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Income</b>		
Other income (*)	297	-
<b>Expenses</b>		
Remuneration paid to Responsible Entity / Investment Manager	790	696
Remuneration paid to Custodian	23	19
Property management, leasing fees, accounting fees, and expense reimbursements	497	308
Capital raising and refinance fees	-	375
Architectural fees	10	9
	<b>1,320</b>	<b>1,407</b>

\* The income was later provided for in full as at 30 June 2012.

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Outstanding Balances with Related Parties</b>		
Payables to related parties	81	35

**(d) Other Related Party Transactions**

Related party transactions that occurred during the year other than those described above are as follows:

<b>Date of transaction</b>	<b>Purchaser/Seller</b>	<b>Fund</b>	<b>Units Purchased / (Sold) No.</b>	<b>Total Consideration Paid/(Received) \$'000</b>
1 April 2012	BlackWall Property Funds Ltd /P-REIT	BlackWall Storage Fund	(48,160)	(53)
29 June 2012	Alerik Pty Ltd /P-REIT	BlackWall Storage Fund	(135,110)	(149)
29 June 2012	Alerik Pty Ltd /P-REIT	BlackWall Telstra House Trust	(87,856)	(88)

**Notes to the Consolidated Financial Statements**

**For the Year Ended 30 June 2012**

**26 Parent Entity Disclosures**

The following summarises the financial information of the Trust's parent entity, P-REIT, as at and for the year ended 30 June 2012.

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Results:</b>		
Profit/(loss) for the year	(15,526)	1,596
Other comprehensive income/(loss)	(602)	353
<b>Total comprehensive income/(loss) for the year</b>	<b>(16,128)</b>	<b>1,949</b>
<b>Financial position:</b>		
Current assets	2,022	991
Non-current assets	120,555	121,668
<b>Total assets</b>	<b>122,577</b>	<b>122,659</b>
Current liabilities	(75,681)	(3,326)
Non-current liabilities	-	(56,261)
<b>Total liabilities</b>	<b>(75,681)</b>	<b>(59,587)</b>
<b>Net assets attributable to unitholders</b>	<b>46,896</b>	<b>63,072</b>

Other than as disclosed in Note 22, the parent entity had no contingencies at 30 June 2012 (2011: Nil).

The parent entity has not entered into any capital commitments as at 30 June 2012 (2011: Nil).

**27 Directors and Key Management Personnel**

**(a) Directors and key management personnel relevant interests**

Key management personnel include all Directors and Chief Financial Officer of the Responsible Entity (refer to the Directors' Report).

The Directors and key management personnel have relevant interests in units of the Trust as set out in the following table:

	<b>Balance at 30 June</b>		<b>Balance at 30 June</b>
	<b>2011</b>	<b>Net change *</b>	<b>2012</b>
	<b>No. '000</b>	<b>No. '000</b>	<b>No. '000</b>
Joseph (Seph) Glew	8,957	43,183	52,140
Stuart Brown	854	-	854
Robin Tedder	-	4,482	4,482
Richard Hill	-	-	-
Tim Brown	-	20	20
<b>Total shareholding</b>	<b>9,811</b>	<b>47,685</b>	<b>57,496</b>

\* Net change refers to changes in relevant interests in units during the financial year.

**(b) Key management personnel compensation**

No salary, cash bonus or monetary benefit was paid out of the Trust's assets to any key management personnel during the year (2011: Nil).

**Notes to the Consolidated Financial Statements**

**For the Year Ended 30 June 2012**

**28 Financial Risk Management**

**(a) Financial risk management**

The main risks the Trust are exposed to through its financial instruments are market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Trust's principal financial instruments are financial assets and borrowings (including derivative financial instruments). Additionally, the Trust has various other financial instruments such as cash, trade debtors and trade creditors, which arise directly from its operations.

This note presents information about the Trust'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 of the Responsible Entity have overall responsibility for the establishment and oversight of the risk management framework. They monitor the Trust's risk exposure by regularly reviewing finance and property markets.

Major financial instruments held by Trust which are subject to financial risk analysis are as follows:

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>		
Available-for-sale financial assets	37,451	38,309
<b>Financial liabilities</b>		
Borrowings	55,580	57,880

**(b) Market risk**

**(i) Interest rate risk**

The Trust has exposure to market risk for changes in variable interest rates on borrowings. This risk is managed by the Trust by entering into hedging transactions with financial institutions to protect part of the borrowings (\$29 million) as detailed in Note 15. The major available-for-sale financial asset - the Trust's \$30 million interest in Bakehouse Bonds is subject to a fixed coupon rate of 5.5% p.a., and as a result is not directly exposed to the interest rate risk. However the Bonds' value is linked to inflation and therefore affected by the inflation rate.

The Trust's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on borrowings is as follows.

	<b>30 June 2012</b>		<b>30 June 2011</b>	
	<b>Weighted average effective interest rate</b>	<b>Balance</b>	<b>Weighted average effective interest rate</b>	<b>Balance</b>
	<b>%</b>	<b>\$'000</b>	<b>%</b>	<b>\$'000</b>
Borrowings	7.76	(55,580)	7.81	(57,880)

**Notes to the Consolidated Financial Statements**

**For the Year Ended 30 June 2012**

**28 Financial Risk Management (continued)**

**(b) Market risk (continued)**

**(i) Interest rate risk (continued)**

**Sensitivity analysis**

At 30 June, if interest rates on borrowings had moved (after hedging effects), as illustrated in the table below, with all other variables held constant, profit would have been affected as follows:

	<b>Net profit</b>	
	<b>Higher / (Lower)</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Movement in interest rates</b>		
+ 1.0%	(552)	(562)
- 0.5%	276	281

**(ii) Price risk**

The Trust is not exposed to any major price risk except for a material change in the property valuation of the Bakehouse Quarter, which could potentially lead to a decrease in the Bakehouse Bonds' value. With all other variables held constant, the Bonds' value will only decrease should the current property value decrease by more than 29%, which is highly unlikely.

**(c) Credit risk**

The Trust is not exposed to any major credit risk except for the Bakehouse Bonds. The credit risk for the Bakehouse Bonds is of the same nature as the price risk described above.

**(d) Liquidity risk**

The Trust is exposed to the following major liquidity risks:

1. Borrowings that are due for renewal within 12 months, are currently in breach due to the loan to direct property value ratio and the Judgment, however, management is confident that the borrowings will be renewed. In addition, the Trust repaid \$1.08 million on 9 July 2012 to reduce the borrowings to \$54.5 million. Refer to Note 14 for further details.
2. Ability to realise assets – Refer to going concern paragraph under Note 1 as to management's view on the Trust's ability to realise assets.

**Notes to the Consolidated Financial Statements**

**For the Year Ended 30 June 2012**

**28 Financial Risk Management (continued)**

**(d) Liquidity risk (continued)**

At the end of the reporting period, the Trust held the following financial arrangements:

	Maturing within 1 year \$'000	Maturing 1 - 5 years \$'000	Maturing over 5 years \$'000	Total \$'000
<b>At 30 June 2012</b>				
<b>Financial assets</b>				
Cash and cash equivalents	1,306	-	-	1,306
Trade and other receivables	455	-	-	455
Available-for-sale financial assets	-	7,098	30,353	37,451
Financial assets at FVTPL	-	917	-	917
	<b>1,761</b>	<b>8,015</b>	<b>30,353</b>	<b>40,129</b>
<b>Financial liabilities</b>				
Trade and other payables	525	-	-	525
Other liabilities	102	-	-	102
Derivative financial instruments	1,069	-	-	1,069
Borrowings	55,580	-	-	55,580
Provision for litigation costs	19,000	-	-	19,000
	<b>76,276</b>	<b>-</b>	<b>-</b>	<b>76,276</b>

	Maturing within 1 year \$'000	Maturing 1 - 5 years \$'000	Maturing over 5 years \$'000	Total \$'000
<b>At 30 June 2011</b>				
<b>Financial assets</b>				
Cash and cash equivalents	450	-	-	450
Trade and other receivables	75	-	-	75
Available-for-sale financial assets	-	8,309	30,000	38,309
Financial assets at FVTPL	-	2,522	-	2,522
	<b>525</b>	<b>10,831</b>	<b>30,000</b>	<b>41,356</b>
<b>Financial liabilities</b>				
Trade and other payables	411	-	-	411
Other liabilities	71	-	-	71
Derivative financial instruments	-	129	-	129
Borrowings	2,900	54,980	-	57,880
	<b>3,382</b>	<b>55,109</b>	<b>-</b>	<b>58,491</b>

**Notes to the Consolidated Financial Statements**

**For the Year Ended 30 June 2012**

**28 Financial Risk Management (continued)**

**(e) Fair value measurements**

*AASB 7 Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following table presents the Trust's financial assets and liabilities measured at fair value as at 30 June. Refer to Note 2 for further details of assumptions used and how fair values are measured.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total balance</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>At 30 June 2012</b>				
Available-for-sale financial assets				
- Unquoted equities	-	-	7,098	7,098
- Debt instruments	-	-	30,353	30,353
Financial assets at FVTPL	-	-	917	917
			<hr/>	<hr/>
			38,368	38,368
Derivative financial instruments	-	-	(1,069)	(1,069)
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total balance</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>At 30 June 2011</b>				
Available-for-sale financial assets				
- Unquoted equities	-	-	8,309	8,309
- Debt instruments	-	-	30,000	30,000
Financial assets at FVTPL	-	-	2,522	2,522
			<hr/>	<hr/>
			40,831	40,831
Derivative financial instruments	-	-	(129)	(129)

The following table is a reconciliation of the movements in financial assets classified as Level 3 for the year ended 30 June:

<b>At 30 June 2012</b>	<b>Financial assets</b>	<b>Available-for-</b>	
	<b>at FVTPL</b>	<b>sale financial</b>	<b>Level 3 Total</b>
	<b>\$'000</b>	<b>assets</b>	<b>\$'000</b>
Balance at the beginning of the year	2,522	38,309	40,831
Purchases	-	149	149
Disposals/redemptions	-	(405)	(405)
Fair value movement	(1,605)	(602)	(2,207)
Balance at the end of the year	<hr/> <b>917</b>	<hr/> <b>37,451</b>	<hr/> <b>38,368</b>



**Notes to the Consolidated Financial Statements**

**For the Year Ended 30 June 2012**

**28 Financial Risk Management (continued)**

**(e) Fair value measurements (continued)**

<b>At 30 June 2011</b>	<b>Financial assets at FVTPL \$'000</b>	<b>Available-for- sale financial assets \$'000</b>	<b>Level 3 Total \$'000</b>
Balance at the beginning of the year	-	5,000	5,000
Purchases	3,439	36,956	40,395
Disposals	-	(4,000)	(4,000)
Fair value movement	(917)	353	(564)
Balance at the end of the year	<u>2,522</u>	<u>38,309</u>	<u>40,831</u>

The fair value of available-for-sale financial assets and financial assets at FVTPL is determined by reference to the net assets of the underlying entities. All these instruments are included in Level 3.

There were no transfers between Level 1, 2 and 3 financial instruments during the year. For all other financial assets and liabilities carrying value is an approximation of fair value.

## Directors' Declaration

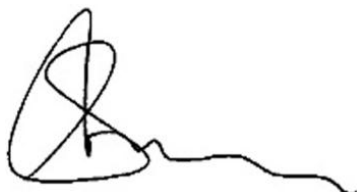
In the opinion of the Directors of TFML Limited, the Responsible Entity of P-REIT:

- (a) the financial statements and notes set out on pages 21 to 48 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors of the Responsible Entity have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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



**Stuart Brown**  
Director  
Sydney, 30 August 2012

# Independent Auditor's Report



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## Independent Audit Report to the Investors of P-REIT and Controlled Entity

### Report on the Financial Report

We have audited the accompanying financial report of P-REIT ("the Trust"), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity.

#### *Directors' Responsibility for the Financial Report*

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

In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements, and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors, would be in the same terms if given to the directors as at the time of this auditor's report.

## Independent Auditor's Report (continued)

### Independent Audit Report to the Investors of P-REIT and Controlled Entity

#### Opinion

In our opinion:

- (a) the financial report of P-REIT is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the consolidated financial statements and notes also comply with *International Financial Reporting Standards* as disclosed in Note 2.

#### Significant Uncertainty Regarding Going Concern

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the Trust has borrowings of \$55,580,000 classified as a current liability on the basis the facility term will expire in less than 12 months and the Trust has not complied with the required loan to value covenant, which constitutes a review event or breach under the facility.

Separately the Trust was unsuccessful in defending legal proceedings initiated by MacarthurCook Property Securities Fund ("MPS") resulting in damages being awarded in favour of MPS including pre-judgement court interest and costs, which has been estimated to be \$19 million.

These two conditions indicate the existence of material uncertainties that may cast significant doubt about the Trust's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Dated at Sydney the 31<sup>th</sup> day of August 2012.

  
ESV Chartered Accountants

  
Chris Kirkwood  
Partner

# P-REIT

ARSN 109 684 773

## Consolidated Financial Report For The Year Ended 30 June 2012

Managed By:



**BLACKWALL**  
PROPERTY FUNDS

Level 1, 50 Yeo Street  
Neutral Bay, NSW 2089  
Responsible Entity: TFML Limited  
ABN 39 079 608 825