



## ASX Release

20 August 2013

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### **P-REIT (PXT)**

### **30 June 2013 – Full Year Result**

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Attached to this release are the financial statements for the full year to 30 June 2013 along with the Appendix 4E.

#### **Results**

At 30 June 2013 P-REIT has gross assets of \$120.7 million with net assets (including litigation provisions) of \$50 million (24 cents per unit).

To 30 June 2013 P-REIT has generated a normalised net profit of \$4.6 million, that is, excluding “one-off” litigation costs, unrealised movements in asset values, and non-cash accounting entries such as depreciation, straight lined lease income and interest rate hedges mark to market.

#### **Debt**

Since 30 June 2012 bank debt has reduced by just over \$7 million including the most recent repayment of \$1 million in early August 2013. This brings bank debt to \$48.5 million. The Trust’s facility is now within covenant and it no longer pays default interest rates.

#### **MPS Litigation**

As previously disclosed, P-REIT is a defendant in litigation proceedings commenced by MacarthurCook Property Securities Fund (ASX Code: MPS) relating to contracts under which MPS invested \$15 million in the Trust in late 2007, that is, before BlackWall began managing the Trust. BlackWall disputed the claim and MPS commenced proceedings in the NSW Supreme Court. The matter was heard in March 2012 in MPS’s favour with judgment entered against P-REIT on 10 August 2012 for \$15 million plus interest and costs. As a consequence the Trust’s financial statements to 30 June 2012 included a litigation provision of \$19.5 million (\$19.7 million at 30 June 2013).

P-REIT appealed the decision in the NSW Court of Appeal. The appeal was heard in early April 2013 and a decision is expected soon.

If P-REIT’s appeal is successful its NTA increases to 34 cents per unit and it is intended that distributions will recommence in due course. If the appeal is unsuccessful the Trust may seek leave to have a further appeal heard by the High Court of Australia.

### Assets & Operations

As part of the appeal process, P-REIT was granted a stay of the judgment, which prevented MPS from enforcing its claim. To achieve this a number of undertakings were agreed, limiting the Trust's investment activities and suspending distributions pending the outcome of the appeal. The undertakings have limited P-REIT's activities but have allowed us to more rapidly reduce debt.

P-REIT's revenue is derived from a portfolio of income producing real estate, Bakehouse Bonds and property securities.

	Carrying Value	Gross Revenue	EBITDA
<b>Real Estate</b>	\$81.4 million	\$9.7 million	\$7.7 million
<b>Bakehouse Bonds</b>	\$31.1 million	\$1.7 million	\$1.7 million
<b>Property Securities</b>	\$7.2 million	\$0.4 million	\$0.4 million
<b>Total</b>	<b>\$119.7 million</b>	<b>\$11.8 million</b>	<b>\$9.8 million</b>

### Real Estate

The Trust's real estate portfolio is summarised below. The portfolio consists of just under 33,000 sqm of net lettable area with one vacancy of 112 sqm. Its weighted average lease expiry (WALE) is 6.4 years.

We have commenced discussions with the expiring tenants in the office building on the Gold Coast known as Silver @ The Exchange, and in the Canberra Eye Hospital. Although leasing activity on the Gold Coast and Canberra is subdued our buildings have good locations, flexible layout and are well presented.

Property	Carrying Value	Implied Yield	WALE	NLA	Renewals*
<b>Industrial:</b>					
Bluescope Coolum	\$4.7 million	8.2%	3.2 years	2,900 sqm	Nil
APN Yandina	\$24.1 million	9.6%	13.2 years	9,100 sqm	Nil
APN Toowoomba	\$6.0 million	9.5%	11.6 years	4,100 sqm	Nil
<b>Commercial:</b>					
Silver @ The Exchange	\$18.3 million	10.8%	1.0 years	5,000 sqm	4,800 sqm
Canberra Eye Hospital	\$7.9 million	8.9%	1.5 years	2,600 sqm	1,500 sqm
<b>Retail:</b>					
Chancellor Homemaker Centre	\$20.4 million	9.7%	4.7 years	9,100 sqm	Nil
<b>Total</b>	<b>\$81.4 million</b>		<b>6.4 years</b>	<b>32,800 sqm</b>	<b>6,300 sqm</b>

\*Square metres with a lease expiry of 18 months or less.

### Bakehouse Bonds

Bakehouse Bonds are CPI linked debt instruments secured against a mixed-use property known as the Bakehouse Quarter in North Strathfield, Sydney. Bakehouse Bonds pay a coupon of 5.5% per annum with capital indexed to CPI annually during the 10 year term (maturing in 2020). P-REIT holds 30 million Bonds with a carrying value of \$31.1 million.

Bakehouse Bonds are secured against the Bakehouse Quarter by way of a registered second mortgage. The Bakehouse Quarter is managed by BlackWall and owned by a wholesale investment trust known as the Kirela Development Unit Trust. Kirela is a substantial investor in P-REIT.

The Bakehouse Quarter generates free cash flow (after first mortgage interest) of \$4.7 million per annum from over 50 tenants leasing over 40,000 sqm of commercial, retail and entertainment space. The Bakehouse Quarter's capital structure is set out below:

<b>Bakehouse Quarter</b>		
<b>Property Value</b>	\$182.00 million	
<b>Senior Debt</b>	(\$87.15) million	50% LVR
<b>Bakehouse Bonds</b>	(\$36.27) million	
<b>Net Asset Value</b>	<b>\$58.58 million</b>	

### Property Securities

P-REIT's property securities investments came on to the balance sheet as part of a restructure undertaken in 2010 to overcome the Trust's debt issues at the time. BlackWall's strategy is to aggregate or trade these positions to either turn them to cash or grow positions to a point of control. In some cases the trusts in which P-REIT is invested are being wound up by their managers. Where this has occurred the capital returned has been applied to debt amortisation.

BlackWall is working on a number of opportunities to grow P-REIT's assets and revenue but are restricted by the undertakings given in relation to the MPS litigation.

More information on the Trust's financial position is available in the attached financial statements.

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

# P-REIT

ARSN 109 684 773

Managed By



**BLACKWALL**  
PROPERTY FUNDS



## Consolidated Annual Financial Report

Year Ended 30 June 2013

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## Directors' Report

The Directors of TFML Limited ("the Responsible Entity" or "TFML"), the Responsible Entity of P-REIT, present their report together with the consolidated annual financial report ("financial statements") of P-REIT and its controlled entity (together referred to as "the Trust") for the year ended 30 June 2013.

### Principal Activities and Review of Operations

The principal activity of the Trust during the financial year was investing in income-producing real estate and real estate interests.

### Results

At 30 June 2013 P-REIT has gross assets of \$120.7 million with net assets (including litigation provisions) of \$50 million (24 cents per unit).

To 30 June 2013 P-REIT has generated a normalised net profit of \$4.6 million, that is, excluding "one-off" litigation costs, unrealised movements in asset values, and non-cash accounting entries such as depreciation, straight-line rental income and interest rate hedges mark to market.

### Debt

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## Directors' Report (continued)

### Assets & Operations (continued)

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## Directors' Report (continued)

### Bakehouse Bonds (continued)

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BlackWall is working on a number of opportunities to grow P-REIT's assets and revenue but are restricted by the undertakings given in relation to the MPS litigation.

### Significant Changes in Affairs

There were no significant changes to the state of affairs of the Trust during the financial year.

### Going Concern

These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. In reaching this conclusion the Directors have considered Trust's capacity to meet an obligation to pay the full claim, costs and interest in relation to the litigation proceedings commenced by MPS as explained under MPS Litigation section above. In this regard the Directors note:

1. As at the date of these financial statements the Trust has borrowings of \$48.5 million and gross assets of \$120.7 million;
2. \$81.4 million of the Trust's assets are income producing real estate for which there is a deep and active market;
3. The Trust's legal advisers have given preliminary advice that in the event the Trust's appeal to the NSW Court of Appeal was unsuccessful:
  - a. depending on the terms of that Judgment, the Trust has reasonable prospects of being granted leave to appeal to the High Court of Australia; and
  - b. in the event the Trust chose to seek leave to appeal to the High Court of Australia the Trust should be successful in having the Judgment stayed pending the outcome of the appeal process.

Notwithstanding the deficiency in current assets over current liabilities the Directors believe the bank facilities of \$49.5 million (now \$48.5 million), classified as a current liability for reasons set out at Note 13, will be renewed and extended after May 2014.

### Distributions

There were no distributions paid or declared for the year ended 30 June 2013 (2012: \$nil).



## Directors' Report (continued)

### Events Subsequent to Reporting Date and Likely Developments

In August 2013, \$1 million of borrowings was repaid to the Trust's lender (refer to Note 13).

Other than the 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.

### Information on Directors of the Responsible Entity

The names of the Directors of the Responsible Entity 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 1990s. 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 Limited (both listed on the ASX) and a Director of Biota Pharmaceuticals Inc. (listed on NASDAQ). In addition Richard is Chairman of the Westmead Millennium Institute for Medical Research. Previously, Richard was an Independent Non-Executive Director of the then ASX listed Pelorus Property Group Limited. He is now the Chairman of the ASX listed BlackWall Property Funds Limited which is the ultimate holding company of TFML Limited (the Trust's Responsible Entity).	Non-Executive Director and Chairman

## Directors' Report (continued)

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

Name	Special Experience	Position
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 1990s 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 1980s 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 is Chairman of Pelorus Private Equity Limited (an unlisted public company), a position he held when that entity traded on the ASX under the name Pelorus Property Group Limited. In addition he is a Non-Executive Director of the ASX listed BlackWall Property Funds Limited which is the ultimate holding company of TFML Limited (the Trust's Responsible Entity).</p>	Non-Executive Director
Robin Tedder	<p>Robin has 37 years' experience in investment and financial markets. He has been an investor in BlackWall's projects since 1997. Robin is the Chairman of Vintage Capital Pty Ltd, an investment company with interests in property, wealth management, logistics and healthcare. He is a former member of the ASX and has served on the boards of several investment banks in Australia and overseas. He is a Director of Probiotec Ltd (a pharmaceutical manufacturing company listed on the ASX) and a Director of the retailer, Italtile Australia Pty Ltd. Robin is also a Fellow of the Financial Services Institute of Australasia. Robin is a Non-Executive Director of Pelorus Private Equity Limited a position he held when it traded on the ASX under the name Pelorus Property Group Limited. Robin is also a Non-Executive Director of the ASX listed BlackWall Property Funds Limited which is the ultimate holding company of TFML Limited (the Trust's Responsible Entity).</p>	Non-Executive Director

## Directors' Report (continued)

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

Name	Special Experience	Position
Stuart Brown	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 Limited 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 BlackWall Property Funds Limited which is the ultimate holding company of the Trust's Responsible Entity TFML Limited. Stuart is also an independent Director of Coogee Boys' Preparatory School.	Executive Director and Chief Executive Officer

### Company Secretary

Don Bayly is the Company Secretary. He has a Bachelor of Commerce and Administration 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	Board Meetings
Meetings Held	5
Richard Hill	5
Seph Glew	5
Robin Tedder	5
Stuart Brown	5

### 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	49,445,000	23.83
Robin Tedder	14,718,624	7.09
Stuart Brown	875,760	0.42

## Directors' Report (continued)

### Options

There were no options granted during the year ended 30 June 2013.

### Remuneration Report (Audited)

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

### Responsible Entity and Custodian 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 and the recovery of other administrative costs. Refer to Note 24 for total remuneration paid to the Responsible Entity.

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.

### Interests in the Fund

The number of units on issue at 30 June 2013 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 and its ultimate holding company BlackWall Property Funds Limited, holds 22,465,285 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

Notwithstanding the Responsible Entity does not directly employ staff, through its arrangement with Blackwall Property Funds it 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:

	<b>Female (No. of people)</b>	<b>Female (%)</b>	<b>Male (No. of people)</b>	<b>Male (%)</b>
Board	0	0	4	100
Executive Management	2	50	2	50
Other	5	56	4	44

### Proceedings On Behalf of The Trust

See commentary earlier in these financial statements and Note 15.

## Directors' Report (continued)

### Indemnities of Officers

During the financial year 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 wilful 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 18 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, 20 August 2013

## Directors' Report (continued)



Level 18, City Centre,  
55 Market Street, Sydney NSW 2000  
T +61 2 9283 1666 F +61 2 9283 1866  
E admin@esvgroup.com.au  
www.esvgroup.com.au

### 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 2013, 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 15<sup>th</sup> day of August 2013.



**ESV Chartered Accountants**



**Chris Kirkwood**  
Partner

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## 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 governance 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 is based on 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	Comply.

## Corporate Governance (continued)

Principle No	Recommendation	Compliance	Reason for Non-compliance
		Executives have taken place during the reporting period and they are 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.
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 Directors' Report which forms part of the financial statements.  A statement will be included in	Comply.

## Corporate Governance (continued)

Principle No	Recommendation	Compliance	Reason for Non-compliance
		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.	
<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>	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> .	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>	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> .	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 achieving them.</p>	The information will be disclosed in the Directors' Report of the Trust's financial statements.	Comply.
3.4	<p>Disclose in each annual</p>	The information will be	Comply.

## Corporate Governance (continued)

Principle No	Recommendation	Compliance	Reason for Non-compliance
	report the proportion of women employees in the whole organisation, women in Senior Executive positions and women on the Board.	disclosed in the Directors' Report of the Trust's financial statements.	
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 auditor attends the Committee meetings. The Committee may make

## Corporate Governance (continued)

Principle No	Recommendation	Compliance	Reason for Non-compliance
			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.	<p>The Responsible Entity undertakes a number of measures to ensure its unitholders are informed of its operations including:</p> <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> <li>• Making available P-REIT's annual and half-yearly financial reports electronically via email and website;</li> </ul>	Comply.



## Corporate Governance (continued)

Principle No	Recommendation	Compliance	Reason for Non-compliance
		<ul style="list-style-type: none"> <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 provided in accordance with section 295A of the Corporations Acts 2001 is founded on a sound	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
	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 at 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 9 August 2013.

### 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	Pelorus Private Equity Ltd	28,660,000	13.81
3	Sandhurst Trustees Ltd ACF MacarthurCook PSF A/C	22,581,875	10.88
4	Australian Executor Trustees Ltd ACF Tankstream Property Investments Fund	19,238,234	9.27
5	BlackWall Property Funds Ltd	17,465,285	8.42
6	Vintage Capital Pty Ltd	10,236,859	4.93
7	TFML Limited	5,000,000	2.41
8	Koonta Pty Ltd ATF Koonta Superannuation Fund	4,154,347	2.00
9	Jagar Property Consultants Pty Ltd	3,484,664	1.68
10	Benyaya Holdings Pty Ltd	2,764,732	1.33
11	Harmareed Pty Ltd ATF The Reed Superannuation Fund	2,159,942	1.04
12	Seno Management Pty Ltd ATF Seno Superannuation Fund	2,000,000	0.96
13	I P R Nominees Pty Ltd <1965 Irvin Peter Rockman A/C>	1,252,033	0.60
14	Mr Andrew Craig Irvine & Ms Beverley Frances Irvine <Ac&Bf Irvine Family A/C>	1,151,142	0.55
15	Netwealth Investments Ltd <WRAP Services A/C>	1,065,317	0.51
16	Chavoo Pty Ltd ATF Midhurst Superannuation Fund	1,000,000	0.48
17	Frogstorm Pty Ltd ATF The Bossanova Superannuation Fund	875,760	0.42
18	Pinnatus Pty Ltd	849,510	0.41
19	D.L.N. Investments Pty Ltd	847,417	0.41
20	Mr Eric Joblin + Mrs Gillian Joblin + Mr G Joblin and Ms K Joblin <The Joblin Family >	800,000	0.39

## ASX Additional Information (continued)

### 2. Distribution of Shareholders

The distribution of unitholders by size of holding was:

Category	No. of Holders
1-1,000	2
1,001-5,000	56
5,001-10,000	117
10,001-100,000	475
100,001 and over	101
<b>Total number of unitholders</b>	<b>751</b>

P-REIT has 17 holders of less than a marketable parcel. The Trust has 207,524,039 units on issue.. 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	49,445,000	23.83
Paul Tresidder	47,917,779	23.09
Pelorus Private Equity Ltd	28,660,000	13.81
Sandhurst Trustees Ltd ACF MacarthurCook PSF A/C	22,581,875	10.88
BlackWall Property Funds Ltd	22,465,285	10.83
Australian Executor Trustees Ltd ACF Tankstream Property Investments Fund	19,238,234	9.27
Robin Tedder	14,718,624	7.09

## 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> Telephone: 02 8234 5000

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**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

**For the year Ended 30 June 2013**

	Note	2013 \$'000	2012 \$'000
<b>Revenue From Continuing Operations</b>			
Rental income	4(a)	10,210	10,261
Dividends and distributions		2,023	2,226
Interest income		19	37
Other income		-	297
Unrealised gain on revaluation (net)		3,611	2,597
<b>Total Revenue</b>	4(a)	<b>15,863</b>	<b>15,418</b>
Property outgoings		(2,047)	(2,136)
Depreciation expenses	5	(2,403)	(2,759)
Custodian fees		(31)	(23)
Administration expenses	5	(1,027)	(1,053)
Finance costs	5	(3,863)	(4,783)
Other operating expenses		(109)	(462)
Loss on sale of investments		(103)	(9)
Litigation expenses	5, 15	(1,444)	(19,719)
<b>Profit / (Loss) For the Year</b>		<b>4,836</b>	<b>(15,526)</b>
<b>Other Comprehensive Income / (Loss)</b>			
<i>Items that will be reclassified to profit or loss</i>			
Unrealised loss on available-for-sale investments	4(b)	(437)	(602)
<b>Other Comprehensive Loss For the Year</b>		<b>(437)</b>	<b>(602)</b>
<b>Total Comprehensive Income / (Loss) For the Year</b>		<b>4,399</b>	<b>(16,128)</b>
<b>Earnings / (Loss) Per Unit</b>			
Basic and diluted earnings/(loss) per unit	17	\$0.02	(\$ 0.07)

The accompanying notes form part of these consolidated financial statements.



**Consolidated Statement of Financial Position**

**As at 30 June 2013**

	Note	2013 \$'000	2012 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	39	1,306
Trade and other receivables	7	612	455
Other assets	8	405	373
<b>Total Current Assets</b>		1,056	2,134
<b>Non-current Assets</b>			
Financial assets	9	38,323	38,368
Investment properties	10	81,350	81,350
<b>Total Non-current Assets</b>		119,673	119,718
<b>TOTAL ASSETS</b>		<b>120,729</b>	<b>121,852</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	801	525
Other liabilities	12	60	102
Borrowings	13	49,500	55,580
Derivative financial instruments	14	693	1,069
Provision	15	19,700	19,000
<b>Total Current Liabilities</b>		70,754	76,276
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>		<b>70,754</b>	<b>76,276</b>
<b>Net Assets Attributable to Unitholders</b>		<b>49,975</b>	<b>45,576</b>
<b>TOTAL LIABILITIES</b>		<b>120,729</b>	<b>121,852</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 2013**

	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 2012</b>	207,524	105,958	(60,133)	(249)	45,576
Profit for the year	-	-	4,836	-	4,836
Other comprehensive income	-	-	-	(437)	(437)
Change of accounting policies (*)	-	-	(686)	686	-
<b>Balance at 30 June 2013</b>	<b>207,524</b>	<b>105,958</b>	<b>(55,983)</b>	<b>-</b>	<b>49,975</b>
<b>Balance at 1 July 2011</b>	207,524	106,006	(44,607)	353	61,752
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>

\* Transfer from available-for-sale reserve to restate retained earnings / (accumulated losses) for the early adoption of AASB 9. See Note 1 relating to details of change of accounting policies.

The accompanying notes form part of these consolidated financial statements.

**Consolidated Statement of Cash Flows**

**For the Year Ended 30 June 2013**

	Note	2013 \$'000	2012 \$'000
<b>Cash Flows From Operating Activities</b>			
Receipt from customers		10,841	10,709
Payments to suppliers		(3,887)	(4,326)
Litigation expenses		(743)	(552)
Distribution received		1,588	1,834
Interest received		19	36
Interest paid		(3,845)	(4,670)
<b>Net Cash Flows From Operating Activities</b>	20	<b>3,973</b>	<b>3,031</b>
<b>Cash Flows From Investing Activities</b>			
Payments for purchase of securities		-	(149)
Payments for purchase of plant & equipment		(26)	(42)
Proceeds from disposal and redemption of securities		866	396
<b>Net Cash Flows From Investing Activities</b>		<b>840</b>	<b>205</b>
<b>Cash Flows From Financing Activities</b>			
Payments for listing costs		-	(80)
Repayment of borrowings		(6,080)	(2,300)
<b>Net Cash Flows Used in Financing Activities</b>		<b>(6,080)</b>	<b>(2,380)</b>
<b>Net Increase / (Decrease) in Cash Held</b>			
Cash and cash equivalents at the beginning of the year		1,306	450
<b>Cash and Cash Equivalents at End of the Year</b>	6	<b>39</b>	<b>1,306</b>

The accompanying notes form part of these consolidated financial statements.

## Notes to the Consolidated Annual Financial Report

### For the Year Ended 30 June 2013

#### 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 managed investment scheme registered 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. 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 2013 were authorised for issue in accordance with the resolution of the Directors of the Responsible Entity on 20 August 2013.

#### 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 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to *AASB 101 Presentation of Financial Statements* effective 1 July 2012 now require the statement of profit or loss and other comprehensive income ("profit or loss") to show the items of comprehensive income grouped in those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

**Notes to the Consolidated Annual Financial Report****For the Year Ended 30 June 2013****1. Statement of Significant Accounting Policies (continued)****Early adoption of standards**

The Trust has early adopted *AASB 9 Financial Instruments*, with effect 1 January 2013, as the Directors believe the revised accounting policy for fair value adjustments to the Trust's investments more reliably presents the financial information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transition provisions in AASB 2012-6, comparative figures have not been restated. See Financial Instruments policy note below for further details on the impact of the change in accounting policy.

**Going concern**

These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. In reaching this conclusion the Directors have considered Trust's capacity to meet an obligation to pay the full claim, costs and interest in relation to the litigation proceedings commenced by MPS as explained in the Directors' Report. In this regard the Directors note:

1. As at the date of these financial statements the Trust has borrowings of \$48.5 million and gross assets of \$120.7 million;
2. \$81.4 million of the Trust's assets are income producing real estate for which there is a deep and active market;
3. The Trust's legal advisers have given preliminary advice that in the event the Trust's appeal to the NSW Court of Appeal was unsuccessful:
  - a. depending on the terms of that Judgment, the Trust has reasonable prospects of being granted leave to appeal to the High Court of Australia; and
  - b. in the event the Trust chose to seek leave to appeal to the High Court of Australia the Trust should be successful in having the Judgment stayed pending the outcome of the appeal process.

Notwithstanding the deficiency in current assets over current liabilities the Directors believe the bank facilities of \$49.5 million (now \$48.5 million), classified as a current liability for reasons set out at Note 13, will be renewed and extended after May 2014.

**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.

**Notes to the Consolidated Annual Financial Report****For the Year Ended 30 June 2013****1. Statement of Significant Accounting Policies (continued)****Principles of Consolidation****Controlled entities**

The consolidated financial statements comprise the financial statements of P-REIT and its controlled entity as at 30 June 2013 (refer to Note 23). 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 25).

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.



**Notes to the Consolidated Annual Financial Report****For the Year Ended 30 June 2013****1. Statement of Significant Accounting Policies (continued)****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.

**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 recognised 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**

Up until 31 December 2012 the Trust's investments in related party unlisted unit trusts were classified as available-for-sale financial assets. Subsequent to initial recognition, they were measured at fair value. Unrealised gains and losses arising from changes in fair value were 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 were recognised in profit or loss. Where the investment was disposed of or was determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve was reclassified to profit or loss.

**Notes to the Consolidated Annual Financial Report****For the Year Ended 30 June 2013****1. Statement of Significant Accounting Policies (continued)****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.

**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 profit or loss and other 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 unrealised movements.

**Classification – from 1 January 2013**

From 1 January 2013 the Trust classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value and those to be measured at amortised cost. The classification depends on the Trust's business model for managing the financial assets and the contractual terms of the cash flows.

**(i) Debt investments – at fair value through profit or loss**

The Bakehouse Bond is classified as debt investment at fair value through profit or loss.

## Notes to the Consolidated Annual Financial Report

### For the Year Ended 30 June 2013

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

##### (ii) Equity investments

All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss.

##### Measurement – from 1 January 2013

At initial recognition, the Trust measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

A gain or loss on a debt investment that is subsequently measured at fair value and is not part of a hedging relationship is recognised in profit or loss and presented net in the profit or loss within other income or other expenses in the period in which it arises.

The Trust subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss as applicable.

##### Change in accounting policy

The policies were changed to comply with *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures*. This version of AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities and the derecognition of financial instruments. It requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

While AASB 9 does not need to be applied until financial reporting periods commencing on or after 1 January 2015, the Group has decided to adopt it early from 1 January 2013. On that date, the Trust's management has assessed which business models apply to the financial assets held by the Trust at the date of initial application of AASB 9 (1 January 2013). The main effects resulting from this assessment were:

- All equity and debt investments (\$36,633,000 as at 1 January 2013) had to be reclassified from available-for-sale to financial assets at fair value through profit or loss ("financial assets at FVTPL"). Fair value movements on these investments can no longer be recorded through other comprehensive income (OCI). They also do not meet the criteria to be classified as at amortised cost in accordance with AASB 9, because the objective of the business model is not to hold these instruments in order to collect their contractual cash flows. Related fair value losses of \$686,000 were transferred from the available-for-sale financial assets reserve to retained earnings/(accumulated losses) on 1 January 2013. Since 1 January 2013, fair value gains after tax related to these investments amounting to \$599,000 were recognised in profit or loss.
- The Trust did not have any financial assets in the balance sheet that were previously designated as fair value through profit or loss but are no longer so designated. Neither did it designate any other financial asset at fair value through profit or loss on initial application of AASB 9.

**Notes to the Consolidated Annual Financial Report**

**For the Year Ended 30 June 2013**

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

**Financial Instruments (continued)**

The adoption of the revised AASB 9 did not affect the Trust's accounting for its financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. The Trust does not have any such liabilities.

The impact of these changes in the Trust's accounting policy on non-current assets in the financial statements are as follows:

	December 2012	Current year impact \$'000		June 2013	Prior year restatement \$'000		
		Reclassification	Increase/ (Decrease)		June 2012	Reclassification	June 2012 (Restated)
<b>Balance sheet (extract)</b>							
<b>Non-current Assets</b>							
Financial Assets at FVTPL (*)	2,131	36,633	(441)	38,323	-	-	-
Available-for-sale Financial Assets	36,633	(36,633)	-	-	-	-	-
	38,764	-	(441)	38,323	-	-	-
Reserves	(686)	686	-	-	(249)	249	-
Retained Earnings/(Accumulated Loss) (**)	(57,742)	(686)	2,445	(55,983)	(60,133)	(249)	(60,382)
	(58,428)	-	2,445	(55,983)	(60,382)	-	(60,382)

\* Decrease in financial assets at FVTPL includes fair value gain of \$333,000 less disposal of \$774,000.

\*\* Increase in retained earnings includes earnings of \$2,445,000 since December 2012.

**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 Annual Financial Report****For the Year Ended 30 June 2013****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.

**Revenue****Rent**

Rent 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**

Interest income is recognised as interest accrues using the effective interest method. Dividend and distribution revenue is recognised when the right to receive income has been established. 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. The Trust has carried forward income tax losses and net capital losses of \$16.27 million and \$14.29 million respectively from June 2012.

**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 (EPU)**

The Trust presents basic and diluted EPU. 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.

## Notes to the Consolidated Annual Financial Report

### For the Year Ended 30 June 2013

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

##### New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Trust's assessment of the impact of these new standards and interpretations is set out below.

*(i) 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)*

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.

*(ii) 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.

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 Annual Financial Report

### For the Year Ended 30 June 2013

#### 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. Refer to Note 7 for impairment details.

##### *Key estimates – financial assets*

Up to 31 December 2012, investments in unlisted securities (except for investments in BlackWall Pub Group) 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. Changes in fair value of investments in BlackWall Pub Group are recognised directly in the profit and loss. From 1 January 2013, all investments have been classified as financial assets at FVTPL with gains and losses recognised in profit or loss. 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 every three to five 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 10. If there are 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 Unallocated. 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 Unallocated segment covers general functions.

**Notes to the Consolidated Annual Financial Report**

**For the Year Ended 30 June 2013**

**3. Segment Information (continued)**

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

	Direct Property \$'000	Other Investments \$'000	Unallocated \$'000	Consolidated Total \$'000
<b>30 June 2013</b>				
Sales to external customers	10,229	2,023	-	12,252
Net unrealised gain on revaluation	2,249	1,362	-	3,611
Total segment revenue	<u>12,478</u>	<u>3,385</u>	-	<u>15,863</u>
Segment operating profit	7,060	3,083	-	10,143
Finance costs	(3,863)	-	-	(3,863)
Litigation expenses	-	-	(1,444)	(1,444)
Other comprehensive loss	-	(437)	-	(437)
<b>Total comprehensive income/(loss)</b>	<b><u>3,197</u></b>	<b><u>2,646</u></b>	<b><u>(1,444)</u></b>	<b><u>4,399</u></b>

	Direct Property \$'000	Other Investments \$'000	Unallocated \$'000	Consolidated Total \$'000
<b>30 June 2012</b>				
Sales to external customers	10,298	2,523	-	12,821
Net unrealised gain/(loss) on revaluation	4,202	(1,605)	-	2,597
Total segment revenue	<u>14,500</u>	<u>918</u>	-	<u>15,418</u>
Segment operating profit	8,377	599	-	8,976
Finance costs	(4,783)	-	-	(4,783)
Litigation expenses	-	-	(19,719)	(19,719)
Other comprehensive loss	-	(602)	-	(602)
<b>Total comprehensive income/(loss)</b>	<b><u>3,594</u></b>	<b><u>(3)</u></b>	<b><u>(19,719)</u></b>	<b><u>(16,128)</u></b>

<b>30 June 2013</b>				
Segment assets	81,945	38,784	-	120,729
Segment liabilities	(50,946)	(108)	(19,700)	(70,754)

<b>30 June 2012</b>				
Segment assets	82,906	38,946	-	121,852
Segment liabilities	(57,077)	(199)	(19,000)	(76,276)



**Notes to the Consolidated Annual Financial Report**

**For the Year Ended 30 June 2013**

**4. Revenue**

	<b>Note</b>	<b>2013</b> <b>\$'000</b>	<b>2012</b> <b>\$'000</b>
<b>4(a) Revenue</b>			
Rent:			
- Rental income		9,707	9,722
- Straight-line rental income		503	539
		<u>10,210</u>	<u>10,261</u>
Investment income:			
- Dividends and distributions		2,023	2,226
- Interest income		19	37
		<u>2,042</u>	<u>2,263</u>
Other income		-	297
Net unrealised gain / (loss) on:			
- Investment properties		1,873	5,153
- Financial assets through profit and loss	4(b)	1,362	(1,605)
- Interest rates swaps		376	(940)
- Impairment of trade receivables and other assets		-	(11)
Net unrealised gain / (loss)		<u>3,611</u>	<u>2,597</u>
<b>Total revenue</b>		<b><u>15,863</u></b>	<b><u>15,418</u></b>

**4(b) Net unrealised gain / (loss) on financial assets**

As a result of early adoption of AASB 9 at 1 January 2013, unrealised movements on revaluation of financial assets have now been recognised in profit or loss instead of other comprehensive income. See Note 1 for details of change of accounting policies. Total unrealised gain / (loss) on financial assets are as follows:

	<b>2013</b> <b>\$'000</b>	<b>2012</b> <b>\$'000</b>
Unrealised gain / (loss) recognised in profit or loss	1,362	(1,605)
Unrealised loss recognised in other comprehensive income	(437)	(602)
Total unrealised gain / (loss) on financial assets	<u>925</u>	<u>(2,207)</u>

**5. Expenses**

	<b>Note</b>	<b>2013</b> <b>\$'000</b>	<b>2012</b> <b>\$'000</b>
Depreciation expenses		2,403	2,759
Administration expenses:			
- Responsible entity fees		794	791
- Fund management expenses		233	262
		<u>1,027</u>	<u>1,053</u>
Finance costs		3,863	4,783
Litigation expenses	15	1,444	19,719

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

	<b>2013</b> <b>\$'000</b>	<b>2012</b> <b>\$'000</b>
Cash at bank	39	706
Cash on deposit	-	600
<b>Total cash and cash equivalents</b>	<b><u>39</u></b>	<b><u>1,306</u></b>

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

**Notes to the Consolidated Annual Financial Report**

**For the Year Ended 30 June 2013**

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

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade and other receivables, net of impairment:		
- Related parties	409	413
- Other parties	203	42
<b>Total Trade and Other Receivables</b>	<b>612</b>	<b>455</b>

No receivables were impaired as at 30 June 2013 (2012: \$11,000). Further information relating to receivables from related parties is set out in Note 24.

**8. Current Assets - Other Assets**

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepayments	405	373
<b>Total other assets</b>	<b>405</b>	<b>373</b>

**9. Non-current Assets - Financial Assets**

	<b>Note</b>	<b>2013</b>	<b>2012</b>
		<b>\$'000</b>	<b>\$'000</b>
Financial assets at fair value through profit or loss	9(a)	38,323	917
Available-for-sale financial assets	9(a)	-	37,451
<b>Total financial assets</b>		<b>38,323</b>	<b>38,368</b>

As a result of early adoption of AASB 9 from 1 January 2013, all available-for-sale assets were reclassified as financial assets at FVTPL. See Note 1 for details of change of accounting policies.

**(a) Financial assets at FVTPL / Available-for-sale financial assets**

	<b>Financial assets at FVTPL</b>		<b>Available-for-sale financial assets</b>
	<b>2013</b>	<b>2012</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Bakehouse Bonds	31,089	-	30,353
Investment in unlisted related entities	4,424	917	1,225
Investment in unlisted other entities	2,810	-	5,873
<b>Total financial assets</b>	<b>38,323</b>	<b>917</b>	<b>37,451</b>

The Bakehouse Bonds are CPI linked debt instruments secured 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 2013 is \$31.09 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 assets are investments in various managed investment schemes.

**Notes to the Consolidated Annual Financial Report**

**For the Year Ended 30 June 2013**

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

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Chancellor Homemaker Centre	20,400	20,400
Silver @ The Exchange	18,250	18,250
APN Yandina	24,100	24,100
BlueScope Coolum	4,700	4,700
Canberra Eye Hospital	7,900	7,900
APN Toowoomba	6,000	6,000
<b>Total investment properties</b>	<b>81,350</b>	<b>81,350</b>
Movements in investment properties:		
Balance at the beginning of the financial year	81,350	78,375
Additions (subsequent expenditures)	27	42
Straight-line rental income	503	539
Depreciation	(2,403)	(2,759)
Revaluation	1,873	5,153
<b>Balance at the end of the financial year</b>	<b>81,350</b>	<b>81,350</b>

The Trust obtained independent valuations for its investment properties Silver @ The Exchange, APN Yandina and Canberra Eye Hospital in February 2012 and June 2010 for Chancellor Homemaker Centre, BlueScope Coolum and APN Toowoomba. The valuations were performed by registered independent valuers under the instructions from the Trust's bank by reference to recent market sales of similar properties and common valuation methodologies including capitalisation of income projections and discounted cash flow projections.

For the year ended June 2013, the Directors have updated their assessment of the fair value of all properties. The key assumptions of the Directors' valuations have been taken from the last independent valuation reports with adjustments for changes in net income.

The holding values generate the following capitalisation rates (initial yield):

Chancellor Homemaker	9.7%
Silver @ The Exchange	10.8%
APN Yandina	9.6%
BlueScope Coolum	8.2%
Canberra Eye Hospital	8.9%
APN Toowoomba	9.5%

**Notes to the Consolidated Annual Financial Report**

**For the Year Ended 30 June 2013**

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

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables:		
- Related parties	48	81
- Other parties	543	401
	<u>591</u>	<u>482</u>
Sundry payables and accrued expenses	210	43
<b>Total trade and other payables</b>	<b><u>801</u></b>	<b><u>525</u></b>

Further information relating to trade payables from related parties is set out in Note 24.

**12. Current Liabilities - Other liabilities**

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Rental income received in advance	60	102
<b>Total other liabilities</b>	<b><u>60</u></b>	<b><u>102</u></b>

**13. Current Liabilities - Borrowings**

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Secured bank bill facilities	49,500	55,580
<b>Total borrowings</b>	<b><u>49,500</u></b>	<b><u>55,580</u></b>

The bill facilities are secured by registered first mortgages over the freehold land and buildings (refer to Note 11). During the financial year \$6.08 million of debt has been repaid to the Trust's lenders. In August 2013, the Trust repaid a further \$1 million to reduce the debt to \$48.5 million.

The Trust borrowings of \$49,500,000 (at 30 June, now \$48,500,000) will mature in May 2014 and therefore is classified as a current liability. The facility is within its loan to value ratio covenant (direct property to debt - currently 60% (61% as at June 2013) against a covenant of 65%).

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

- Expiry in May 2014.
- Facilities incur an all up margin of 2.35%.

\$29 million of borrowings are hedged under interest rate swap contracts. Refer to Note 14 for further details. The average interest rate on the facility for the year was 6.56% (2012: 7.76%).

**Notes to the Consolidated Annual Financial Report**

**For the Year Ended 30 June 2013**

**14. Current Liabilities - Derivative Financial Instruments**

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest rate swaps	693	1,069
<b>Total derivative financial instruments</b>	<b>693</b>	<b>1,069</b>

The Trust is party to interest rate swaps in the normal course of business in order to hedge exposure to fluctuations in interest rate through \$29 million of interest rate swap contracts. The gain or loss from remeasuring the interest rate swaps at fair value is recognised in profit or loss. The terms of the interest rate swaps 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.

**15. Current Liabilities - Provision**

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Provision for litigation claim	19,700	19,000
<b>Total provision</b>	<b>19,700</b>	<b>19,000</b>

TFML (as P-REIT's Responsible Entity) is a defendant in a Supreme Court action initiated by MPS. The proceedings relate to a series of transactions entered into 2007, that is, before TFML became Responsible Entity of the Trust. 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 MPS Litigation section of the Directors' Report. TFML's appeal of this decision was heard in early April 2013 and the appeal decision is expected soon. A provision for Judgment amount of \$19.7 million (including a plaintiff's cost estimate and Judgment court interest of \$1.9 million), is carried in these financial statements.

**16. Distributions**

There were no distributions paid or declared for the year ended 30 June 2013 (2012: \$nil).

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

	<b>2013</b>	<b>2012</b>
Basic and diluted earnings/(loss) per unit	\$0.02	(\$0.07)
Calculated as follows:		
Profit/(loss) for the year	\$4,836,000	(\$15,526,000)
Weighted average number of units for earnings per unit	207,524,039	207,524,039

**18. Auditors' Remuneration**

	<b>2013</b>	<b>2012</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	40	51
- taxation and compliance services	13	19
<b>Total auditors' remuneration</b>	<b>53</b>	<b>70</b>

**Notes to the Consolidated Annual Financial Report**

**For the Year Ended 30 June 2013**

**19. Lease Commitments Receivable**

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

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Lease commitments receivable:		
- receivable within 1 year	7,816	7,788
- receivable within 2 – 5 years	21,847	22,501
- receivable more than 5 years	24,776	30,080
<b>Total lease commitments receivable</b>	<b>54,439</b>	<b>60,369</b>

There are no operating lease commitments payable or any other capital commitments as at 30 June 2013 (2012: Nil).

**20. Reconciliation of Operating Cash Flows**

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit/(loss) for the year	4,836	(15,526)
Non-cash flows in profit:		
- Unrealised gain on revaluation	(3,611)	(2,597)
- Depreciation	2,403	2,759
- Straight-line rental income	(503)	(539)
- Loss on sale of financial assets	103	9
- Litigation expenses	700	19,000
Changes in assets and liabilities:		
Increase in trade and other receivables	(188)	(295)
Increase in trade and other payables	246	188
Increase /(decrease) in other liabilities	(13)	32
<b>Net cash flows from operating activities</b>	<b>3,973</b>	<b>3,031</b>

**21. Contingent Assets and Contingent Liabilities**

There are no other contingent liabilities or contingent assets as at 30 June 2013.

**22. Subsequent Events**

In August 2013, \$1 million of borrowings was repaid to the Trust's lender (refer to Note 13).

Other than the 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.

**Notes to the Consolidated Annual Financial Report**

**For the Year Ended 30 June 2013**

**23. Controlled Entities**

Name	Country of incorporation	Percentage Owned	
		2013	2012
<b>Parent entity:</b>			
P-REIT	Australia	100%	100%
<b>Controlled entity of parent entity:</b>			
Yandina Sub-trust	Australia	100%	100%

**24. Related Party Transactions**

**(a) Related Entities**

The Trust is managed by TFML Limited as Responsible Entity 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 during the year until the signing of this report unless otherwise stated are Richard Hill , Joseph (Seph) Glew, Stuart Brown and Robin Tedder.

**(b) Interests in Related Parties**

As at year end the Trust owned units in the following funds. The funds and the Trust have a common Responsible Entity or Investment Manager (TFML Limited) or are related entities of TFML.

Fund	Unitholdings (units)		Distribution Received (\$'000)	
	2013	2012	2013	2012
BlackWall Storage Fund	-	-	-	26
BlackWall Pub Group	26,640,640	22,923,810	-	-
BlackWall Penrith Fund No. 2	1,050,000	1,050,000	92	85
BQF	331,029	-	-	-
Pelorus Private Equity	6,289,511	-	-	-
WRV Unit Trust	175,000	175,000	1	10
	<b>34,486,180</b>	<b>24,148,810</b>	<b>93</b>	<b>121</b>

The Trust also holds Bakehouse Bonds with a fair value of \$31.09 million (2012: \$30.35 million) which earn interest of \$1.65 million (2012: \$1.65 million). Further details 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 and the recovery of other administrative costs.

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 are as follows:

**Notes to the Consolidated Annual Financial Report**

**For the Year Ended 30 June 2013**

**24. Related Party Transactions (continued)**

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

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Income</b>		
Other income	-	297
<b>Expenses</b>		
Remuneration paid to Responsible Entity / Investment Manager	794	790
Property management, leasing fees, accounting fees, and expense reimbursements	319	497
Architectural fees	1	10
	<b>1,114</b>	<b>1,297</b>
<b>Outstanding Balances with Related Parties</b>		
Receivables from related parties - current	409	413
Payables to related parties - current	48	81

**25. 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.

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit/(loss) for the year	4,836	(15,526)
Other comprehensive loss	(437)	(602)
<b>Total comprehensive income/(loss) for the year</b>	<b>4,399</b>	<b>(16,128)</b>
<b>Financial position:</b>		
Current assets	875	2,022
Non-current assets	120,510	120,555
<b>Total assets</b>	<b>121,385</b>	<b>122,577</b>
Current liabilities	(70,090)	(75,681)
<b>Total liabilities</b>	<b>(70,090)</b>	<b>(75,681)</b>
<b>Net assets attributable to unitholders</b>	<b>51,295</b>	<b>46,896</b>

Other than as disclosed in Note 21, the parent entity had no contingencies at 30 June 2013 (2012: Nil).

The parent entity has not entered into any capital commitments as at 30 June 2013 (2012: Nil).



## Notes to the Consolidated Annual Financial Report

### For the Year Ended 30 June 2013

#### 26. Directors and Key Management Personnel

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

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

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>2012</b>	<b>Net change *</b>	<b>2013</b>
	<b>No. '000</b>	<b>No. '000</b>	<b>No. '000</b>
Joseph (Seph) Glew	52,140	(2,895)	49,245
Stuart Brown	854	22	876
Robin Tedder	4,482	10,237	14,719
Richard Hill	-	-	-
Tim Brown	20	-	20
<b>Total shareholding</b>	<b>57,496</b>	<b>7,364</b>	<b>64,860</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 (2012: Nil).

#### 27. 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 interest rate swaps). 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>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>		
Financial assets at FVTPL (*)	38,323	917
Available-for-sale financial assets (*)	-	37,451
<b>Financial liabilities</b>		
Borrowings	49,500	55,580

**Notes to the Consolidated Annual Financial Report**

**For the Year Ended 30 June 2013**

**27. Financial Risk Management (continued)**

**(a) Financial risk management (continued)**

\* As a result of early adoption of AASB 9 from 1 January 2013, all available-for-sale financial assets have been reclassified to financial assets at fair value through profit or loss. See Note 1 change of accounting policies for details.

**(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 interest rate swap contracts with financial institutions to protect part of the borrowings (\$29 million) as detailed in Note 14. The major available-for-sale financial asset - the Trust's 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 2013</b>		<b>30 June 2012</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	6.56	(49,500)	7.76	(55,580)

The interest rate swaps of \$29 million were hedged at an average rate of 4.92% (2012: 4.92%) and the terms 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.

**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>2013</b>	<b>2012</b>
	<b>Higher / (Lower)</b>	<b>Higher / (Lower)</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Movement in interest rates</b>		
+ 1.0%	(205)	(552)
- 0.5%	103	276

**Notes to the Consolidated Annual Financial Report**

**For the Year Ended 30 June 2013**

**27. Financial Risk Management (continued)**

**(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 on their maturity.

**(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, however, management is confident that the borrowings will be renewed. In addition, the Trust repaid \$1 million in August 2013 to reduce the borrowings to \$48.5 million. Refer to Note 13 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.

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

	<b>Maturing within 1 year \$'000</b>	<b>Maturing 1 - 5 years \$'000</b>	<b>Maturing over 5 years \$'000</b>	<b>Total \$'000</b>
<b>At 30 June 2013</b>				
<b>Financial assets</b>				
Cash and cash equivalents	39	-	-	39
Trade and other receivables	612	-	-	612
Financial assets at FVTPL	-	7,234	31,089	38,323
	<b>651</b>	<b>7,234</b>	<b>31,089</b>	<b>38,974</b>
<b>Financial liabilities</b>				
Trade and other payables	801	-	-	801
Other liabilities	60	-	-	60
Interest rate swaps	693	-	-	693
Borrowings	49,500	-	-	49,500
Provision for litigation costs	19,700	-	-	19,700
	<b>70,754</b>	<b>-</b>	<b>-</b>	<b>70,754</b>

**Notes to the Consolidated Annual Financial Report**

**For the Year Ended 30 June 2013**

**27. Financial Risk Management (continued)**

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

<b>At 30 June 2012</b>	<b>Maturing within 1 year \$'000</b>	<b>Maturing 1 - 5 years \$'000</b>	<b>Maturing over 5 years \$'000</b>	<b>Total \$'000</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
Interest rate swaps	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>

**(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, either directly (as prices) or indirectly (derived from prices) (Level 2), and
- Inputs for the asset 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>At 30 June 2013</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total balance \$'000</b>
<b>Financial assets at FVTPL</b>				
- Unquoted equities	-	-	7,234	7,234
- Debt instruments	-	-	31,089	31,089
	-	-	38,323	38,323
Interest rate swaps	-	(693)	-	(693)

**Notes to the Consolidated Annual Financial Report**

**For the Year Ended 30 June 2013**

**27. Financial Risk Management (continued)**

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
<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
	-	-	38,368	38,368
Interest rate swaps	-	(1,069)	-	(1,069)

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 2013</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	917	37,451	38,368
Purchases	185	1,473	1,658
Disposals/redemptions	(774)	(1,854)	(2,628)
Fair value movement	1,362	(437)	925
Reclassification	36,633	(36,633)	-
Balance at the end of the year	<b>38,323</b>	<b>-</b>	<b>38,323</b>

\* As a result of early adoption of AASB 9 from 1 January 2013, all available-for-sale financial assets have been reclassified to financial assets at fair value through profit or loss. See Note 1 change of accounting policies for details.

<b>At 30 June 2012</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	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	<b>917</b>	<b>37,451</b>	<b>38,368</b>

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 23 to 50 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 Trust's financial position as at 30 June 2013 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, 20 August 2013

## 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 and Controlled Entity (“the Trust”), which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of changes in net assets attributable to unitholders 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 Trust.

#### *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 1, 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 Trust’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 Trust’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 Audit Report to the Investors of P-REIT and Controlled Entity

### Opinion

In our opinion:

- (a) the financial report of P-REIT and its Controlled Entity 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 2013 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 financial report also comply with *International Financial Reporting Standards* as disclosed in Note 1.

### Emphasis of Matter

The Trust was unsuccessful in defending against legal proceedings initiated by MacarthurCook Property Securities Fund ("MPS") resulting in damages being awarded in favour of MPS including pre-judgment court interest and costs, which has been estimated to be \$19.7 million. The Trust has appealed the decision in the NSW Court of Appeal, and is awaiting the outcome.

We draw attention to Note 1 to the financial statements which describes how the Trust proposes to discharge this liability should its appeal be unsuccessful and the Responsible Entity chose not to pursue an application to appeal to the High Court of Australia.

Dated at Sydney the 20<sup>th</sup> day of August 2013.



**ESV Chartered Accountants**



**Chris Kirkwood**  
Partner





# P-REIT

ARSN 109 684 773

## Consolidated Annual Financial Report Year Ended 30 June 2013

Managed By:



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