Opus Income & Capital Fund No. 21

ARSN: 104 391 273

Annual Financial Report

Year ended 30 June 2012

DIRECTOR'S REPORT

The Directors of Opus Capital Limited, the Responsible Entity of Opus Income & Capital Fund No. 21 ("the Fund"), present their report together with the financial report of the Fund, for the year ended 30 June 2012 and the auditor's report thereon.

INFORMATION ON DIRECTORS OF THE RESPONSIBLE ENTITY

The Directors of Opus Capital Limited at any time during or since the end of the financial year and up to the date of this report are:

Mr Matthew Madsen, Chairman	Appointed 22 September 2011
Mr Rowan Ward, Executive Director	Appointed 25 January 2011
Mr Mark Hallett, Non-Executive Director	Appointed 31 January 2011
Mr Maurice Kluge, Executive Chairman	Appointed 25 January 2011 and Resigned 22 September 2011
Mr Stephen Gosling, Executive Director	Appointed 25 January 2011 and Resigned 9 September 2011

PRINCIPAL ACTIVITY

The Fund invests in commercial and industrial properties and other assets in accordance with the provisions of the Fund constitution.

REVIEW AND RESULTS OF OPERATIONS

The net loss of the Fund for the period ended 30 June 2012 was $616k (2011: loss of $11.934m). This includes a loss on sale of investment properties of $653k.

The Fund generated positive operational cash flows of $2.614m for the year (2011: $2.192m).

Full independent valuations were conducted as at 30 June 2012 for all investment properties. In accordance with the valuation policy of the Responsible Entity, a new valuer was appointed to perform these valuations as the previous valuer had performed the valuations for three consecutive valuations. Valuation details are disclosed in the report. The Directors note that the valuations have stabilised with no material change in overall value between 30 June 2011 and 30 June 2012 for the properties held as at the balance sheet date.

The loan from the Opus Income and Capital Fund No 21 to Opus Capital Growth Fund No. 1 had been fully impaired in previous financial years and during the current year the Fund reversed the full amount of the provision for impairment and the loan was written off as a bad debt on the basis of the current and prospective financial condition of Opus Capital Growth Fund No. 1. In particular, it is noted that there is negative net equity in that Fund and that the primary financier will be unable to recover all its loans from that Fund.

Total unitholders' equity at 30 June 2012 was $45.119m (2011: $46.319m), a reduction on the prior year of $1.200m reflective largely of the $616k loss for the 2012 financial year (as a result of the loss on sale of investments properties of $653k) coupled with cash distributions (return of capital) paid to Unit Holders during the year of $584k net of distributions reinvested of $60k (2011: $1.007m net of distributions reinvested of $153k).

During the year, the Responsible Entity sold several assets including:

a) 25-37 Huntingdale Rd Burwood – settled 10 November 2011 for $9.2m

b) 137 Benjamin Place Lytton – settled 19 December 2011 for $3.075m

c) 26 Paramount Boulevard Derrimut (Paramount Stage 1) – settled 28 October 2011 for $5.1m

d) 140 Paramount Boulevard Derrimut (Warehouse 3) – settled 23 April 2012 for $570k.

e) 140 Paramount Boulevard Derrimut (Warehouse 1) – settled 10 May 2012 for $560k.

The majority of net sale proceeds from these sales were applied to debt reduction. In addition both of the following properties were subject to contracts of sale at year end and all net sale proceeds will be applied to debt reduction when these properties settle:

a) 437 St Kilda Road, Melbourne; &

b) 45 Dacre Street, Mitchell Canberra.

REVIEW AND RESULTS OF OPERATIONS (Continued)

At 30 June the Fund held 14 investment properties totalling approximately $210,690,000 in value as reflected by independent valuation at 30 June 2012.

DISTRIBUTIONS PAID OR RECOMMENDED
Distributions and capital returns paid or payable for the financial year were $644k (2011: $1.160m capital return).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS
As at 30 June 2012, the Fund has a working capital deficiency of $127.136m (2011: $111.773m). The deficit arises primarily due to the Suncorp debt facility expiration prior to 30 June 2013 amounting to $164.900m, which is classified as current as required under Australian Accounting Standards.

The Fund has total equity of $45.159m as at 30 June 2012 (2011: $46.319m).

As at 30 June 2012 the Fund's Debt Facility was subject to a short term extension until 31 October 2012. During the year the fund breached both the LVR and minimum interest coverage covenants, and as at 30 June 2012 these breaches had not been rectified (refer note 11). The Going Concern of the Scheme is therefore principally dependent upon the ongoing support of the fund's financier and cash flow positive operations.

The Fund is currently in discussions with the financier regarding securing an extension until 30 June 2013. Key to the successful debt renegotiation is a commitment to a sell-down strategy which would see staged sales of several Scheme investment properties in order to reduce the LVR of the Fund.

Whilst there is significant uncertainty as to the upcoming debt facility expiration and subsequent extension currently being considered by the financier, based upon ongoing significant discussions with the financier the Directors are of the reasonable opinion that the preparation of the financial report on a going concern basis is appropriate based on:

- The Fund's ability to renegotiate its finance facilities with the existing financier beyond 31 October 2012; or
- In the event that the facility is not extended, the ability to sell the remaining investment properties and satisfy the Fund's outstanding obligations.

The going concern basis presumes that the Fund will be able to finance future operations and that the realisation of assets and liabilities will occur in the normal course of business.

Should the Fund be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Fund be unable to continue as a going concern.

AFTER BALANCE DATE EVENTS
The Dacre Street, Canberra property contract of sale settled on 14 September 2012, with full net sale proceeds being applied to debt reduction with the Financier. In addition the Fund has entered into a contract of sale for one of the last two remaining units at Paramount Boulevard, Derrimut.

The Fund has executed a Binding Agreement with the State of Queensland (via the Department of Works) in relation to their occupancy of 4,579m2 of space in the Cairns Corporate Tower. This six year extension of tenure by the State substantially underpins the future cash flows from this property.

The Responsible Entity provided notice to the Public Trustee of Queensland as the outgoing custodian on the 28th of June 2012 of the appointment of Trust Company of Australia as the incoming custodian. The change in custodian necessitates the transfer of all assets from The Public Trustee as custodian of Opus Income & Capital Fund No. 21 to Trust Company of Australia as custodian of Opus Income & Capital Fund No. 21. This process is time consuming and includes the transfer of title of all real estate assets as well as cash in bank. It is hoped that the transfer will be concluded before half year end. It is anticipated that The Public Trustee will exercise their lien over certain scheme assets (cash) in relation to the Contingent Liability described in Note 20.

There are no significant matters or circumstances that have arisen since the end of the financial period that have significantly affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund, in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Fund's key priorities for the immediate future include:

1. A continued focus on total debt and gearing reduction;
2. Securing of a medium term debt facility.
3. Implementation of a substantial capital expenditure program to the Portfolio, particularly focused on the following:
    a. Maintaining and improving the standard of the Portfolio's essential services, tenant lettable areas and general appearance and positioning in order to increase desirability to both current occupiers and possible future tenants;
    b. Specific tenant initiated works to both base building and tenant lettable areas as a result of current lease renewals;
    c. An improvement of building functionality particularly in relation to the reduction of energy consumption to ensure that both operational cost savings are achieved and that the Portfolio maintains and improves its position against ever increasing environmental industry benchmarks to ensure continued future tenant demand to occupy;
4. Specific leasing activities to increase the occupancy rate and the Weighted Average Lease Expiry (WALE) of the Portfolio.

The past three financial years have seen extraordinarily difficult times encountered by the Fund and in turn the unitholders. The Directors are acutely aware of the need to improve the financial condition of the Fund and increase distributions to unitholders, as soon as practicable.

We note that upon settlement of those investment assets currently under contract for sale it is estimated that the gearing (Loan to Value Ratio) will be approximately 75%. It is our view that only at a time when the Funds gearing (LVR) has been restored to typical market parameters of approximately 60% LVR and net property income is appropriate then the Fund will be in a position to consider increasing unitholder distributions.

The Directors of the Responsible Entity feel that the Fund is at a pivotal point in terms of its financial condition. As the LVR will be approximately at a 75% level (post settlement of contracted sales), the Responsible Entity will over the coming year be seeking to procure a medium term debt facility to provide more security of debt.

Once this medium term debt facility has been put in place, then a lower LVR will only be achieved through:

a) increases in property valuations over time;

b) continued asset sales and/or

c) capital management initiatives such as issuing new capital to existing or new unitholders.

The Responsible Entity will continue to explore all options with a view to enhancing the financial condition of the Fund and, over time, increasing distributions. Whilst this is our clear objective, there are many risks that the Fund faces and there can be no guarantee that these objectives will be met given not only the precarious financial condition of the Fund but also the global economic position.

ENVIRONMENTAL ISSUES
The Fund's operations were not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Directors believe that the Fund has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Fund.

OPTIONS

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

FEES PAID TO AND INTERESTS HELD IN THE FUND BY THE RESPONSIBLE ENTITY OR ITS ASSOCIATES

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in note 15 of the financial statements.

No fees were paid out of Fund property to the Directors of the Responsible Entity during the year.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 15 of the financial statements.

INTERESTS IN THE FUND

The movement in units on issue in the Fund during the year is disclosed in note 13 of the financial statements.

The value of the Fund's assets and liabilities is disclosed on the Statement of financial position and derived using the basis set out in note 2 of the financial statements.

ROUNDING

The Fund is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

Since commencement, the Fund has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer of the Responsible Entity or an auditor of the Fund.

The Responsible Entity has paid insurance premiums in respect of their officers for liability and legal expenses for the year ended 30 June 2012. Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been Directors or executive officers of the Responsible Entity.

Details of the nature of the liabilities covered or the amount of the premium paid has not been included as such disclosure is prohibited under the terms of the contract.

The Fund has not indemnified its auditor.

PROCEEDINGS ON BEHALF OF THE FUND

Other than as disclosed in Note 20, no person has applied for leave of Court to bring proceedings on behalf of the Fund or intervene in any proceedings to which the Fund is a party for the purposes of taking responsibility on behalf of the Fund for all or any part of those proceedings. The Fund was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Director's Report and can be found on page 6.

This report is signed in accordance with a resolution of the Board of Directors of Opus Capital Limited, the Responsible Entity of Opus Income & Capital Fund No. 21.

Mr Matthew Madsen
Director

Dated at Brisbane this 27th day of September 2012

BDO

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DECLARATION OF INDEPENDENCE BY ALBERT LOOTS TO THE DIRECTORS OF OPUS CAPITAL LIMITED AS RESPONSIBLE ENTITY OF OPUS INCOME & CAPITAL FUND NO. 21

As lead auditor of Opus Income & Capital Fund No. 21 for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

A S Loots

Partner

BDO East Coast Partnership

Brisbane, 27 September 2012

Statement of Comprehensive Income
For the year ended 30 June 2012

	Note	2012 $000's	2011 $000's
Revenue	4	24,556	26,350
Change in fair value of investment property	9	(2,633)	(9,605)
Change in fair value of assets held for sale	7	177	-
Expenses from operating activities	5	(10,361)	(11,483)
Impairment of receivables		(183)	(4,147)
Finance costs		(11,519)	(12,811)
Loss on sale of investment properties		(653)	(248)
Gain on sale of financial assets		-	10
Profit/(loss) for the year		(616)	(11,934)
Other comprehensive income		-	-
Total comprehensive income attributable to the owners of the Fund		(616)	(11,934)

The Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Financial Position
As at 30 June 2012

	Note	2012 $000's	2011 $000's
CURRENT ASSETS			
Cash and cash equivalents	18	3,298	4,218
Trade and other receivables	6	676	1,214
Non-currents assets classified as held for sale	7	38,040	72,040
TOTAL CURRENT ASSETS		42,014	77,472
NON-CURRENT ASSETS			
Investment properties	9	168,310	153,579
Trade and other receivables	6	1,282	1,184
Other non-current assets	8	3,058	3,637
TOTAL NON-CURRENT ASSETS		172,650	158,400
TOTAL ASSETS		214,664	235,872
CURRENT LIABILITIES			
Trade and other payables	10	2,448	4,285
Interest bearing loans and borrowings	11	166,648	184,904
Provisions	12	54	55
TOTAL CURRENT LIABILITIES		169,150	189,244
NON-CURRENT LIABILITIES			
Trade and other payables	10	395	309
TOTAL NON-CURRENT ASSETS		395	309
TOTAL LIABILITIES		169,545	189,553
NET ASSETS		45,119	46,319
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS			
Unitholders funds	13	139,303	139,887
Retained earnings		(94,184)	(93,568)
TOTAL EQUITY		45,119	46,319

The Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements.

Statement of Changes in Equity
For the year ended 30 June 2012

	Unitholders Funds $000's	Retained Earnings $000's	Total $000's
Balance at 1 July 2010	140,894	(81,634)	59,260
Comprehensive income			
Profit/(loss) for the year	-	(11,934)	(11,934)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(11,934)	(11,934)
Transactions with owners in their capacity as owners			
Distributions reinvested	153	-	153
Return of unit capital	(1,160)	-	(1,160)
Balance at 30 June 2011	139,887	(93,568)	46,319
Balance at 1 July 2011	139,887	(93,568)	46,319
Comprehensive income			
Profit/(loss) for the year	-	(616)	(616)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(616)	(616)
Transactions with owners in their capacity as owners			
Distributions reinvested	60	-	60
Return of unit capital	(644)	-	(644)
Balance at 30 June 2012	139,303	(94,184)	45,119

The Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Statement of Cash Flows
For the year ended 30 June 2012

	Note	2012 $000's	2011 $000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Rent and outgoings received		27,148	28,985
Cash payments in the course of operations		(11,512)	(12,697)
Interest received		94	163
Finance costs		(11,519)	(12,811)
GST received/(paid)		(1,597)	(1,448)
Net cash provided by/(used in) operating activities	18	2,614	2,192
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments from investment property improvements		(2,097)	(975)
Payments for other assets		(622)	(1,031)
Payments for costs associated with sale of investment property		(488)	-
Proceeds from the sale of financial assets		-	80
Proceeds from the sale of investment properties		18,515	3,714
Net cash provided by/(used in) investing activities		15,308	1,788
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of borrowing and establishment costs		-	(22)
Repayment of borrowings		(18,256)	(3,877)
Return of capital		(586)	(1,524)
Distributions paid		-	-
Net cash (used in)/provided by financing activities		(18,842)	(5,423)
Net increase/(decrease) in cash held		(920)	(1,443)
Cash at the beginning of the financial year		4,218	5,661
Cash at the end of the financial year	18	3,298	4,218

The Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

NOTE 1 GENERAL INFORMATION

Introduction
Opus Income & Capital Fund No. 21 for the year ended 30 June 2012 is a Property Trust incorporated and domiciled in Australia. The Fund is a for-profit entity for the purpose of preparation of these financial statements.

Operations and principal activities
The Fund invests in commercial and industrial properties and fixed interest securities in accordance with the provisions of the Fund constitution.

Currency
The financial report is presented in Australian dollars. The Fund is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Registered office
The registered office of Opus Income & Capital Fund No. 21 is situated at Level 20, 444 Queen St, Brisbane Qld 4000.

Authorisation of financial report
The financial report was authorised for issue on 27th September 2012 by the Directors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

Compliance with IFRS
The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Accounting policies

a. Income Tax

Under current income tax legislation, the Fund is not liable to taxation as the taxable income is distributed in full to unitholders.

b. Revenue & Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Lease income from operating leases is recognised in income on a straight line basis over the lease term. Rental revenue not received at reporting date is reflected in the statement of financial position as a receivable or if paid in advance, as rent in advance (unearned income). Lease incentives granted are considered an integral part of the total revenue and are recognised as a reduction in rental income over the term of the lease, on a straight line basis. Contingent rents based on the future amount of a factor that changes other than with the passage of time, including turnover rents and CPI linked rental increases, are only recognised when contractually due.

Outgoings recovered are recognised when invoiced and represent the portion of property expenses that are recoverable from the tenants.

Interest revenue is recognised using the effective interest rate method which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Expenses

Property expenses
Property expenses consist of rates, taxes and other property outgoings in relation to the investment property.

Responsible Entity's remuneration
Refer to note 15 for details of the Responsible Entity's remuneration.

Custodian's remuneration
The Custodian received remuneration of $80,654 (2011: $62,281) for its services during the year.

d. Investment Property

All investment property is measured at fair value.

The fair value of investment property is determined by reference to an independent valuation performed by an external expert, or using an internal Director's valuation model. The valuation is supported by market evidence, with key factors being current and forecast rental demand, property age, location and grade, and other such differentiating factors.

In the Statement of financial position the value of the investment property excludes the accrued operating lease income and instead recognises it as a separate receivable.

A gain or loss arising from a change in fair value of investment property is included in profit or loss for the year in which it arises.

e. Financial Instruments

Initial Recognition & Measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Fund commits itself to either the purchase or the sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately.

Classification & Subsequent Measurement
Finance instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Loans & Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Collectability of loans and receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the receivable may be impaired.

Financial Liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

f. Impairment of Non-Financial Assets

At each reporting date, the Fund reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Fund estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Cash & 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. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

h. Finance costs

Finance costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangements of borrowings.

Interest payments in respect of financial instruments classified as liabilities are included in finance costs.

Loan establishment costs are offset against financial liabilities under the effective interest method and amortised over the term of the facility to which they relate.

i. Goods & 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 Statement of Financial Position 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.

j. Lease Incentives

Lease incentives are capitalised and amortised over the life of the lease.

Rent abatements are recognised over the life of the rent abatement period.

Initial direct leasing costs incurred in negotiating and arranging operating leases are recognised as an asset in the statement of financial position and are amortised as an expense on a straight line basis over the lease term.

The value of capitalised lease incentives is deducted from the fair value of investment property as described in the investment property accounting policy.

k. Comparative Figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year

l. Leases

The Fund leases its investment property under agreements where the trust retains substantially all the risks and benefits associated with the investment property. Accordingly such arrangements are classified as operating leases and amounts received under such agreements are accounted for in accordance with the trust's accounting policy for revenue.

m. Distributions to Unitholders

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

n. Unitholders Funds

Ordinary units are classified as unitholders funds. Incremental costs directly attributable to the issue of new units are shown in equity as a deduction from the proceeds received.

o. Significant Accounting Estimates, Judgements and Assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Significant Accounting Estimates, Judgements and Assumptions (Continued)

The Directors of the responsible entity evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on historical experiences and the best available current information on current trends and economic data, obtained both externally and within the Trust. These estimates and judgements made assume a reasonable expectation of future events but actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period or in the period and future periods if the revision affects both current and future periods. There were no key adjustments during the year which required estimates and/or judgements with the exception of the following:

Key judgements – contingent liability
Refer to Note 20 for further details regarding the contingent liability. There is currently insufficient information to allow for provision for costs relating to any potential liability on this matter. Therefore the directors have determined that no provision will be recorded as at 30 June 2012.

Key assumptions – investment property valuation
The Fund makes key assumptions in determining the fair value of its investment property portfolio as at balance date. The assumptions thought to bear the most significant impact on the adopted fair value of each of the fund's investment properties are disclosed in Note 7 and Note 9, together with the carrying amount of each investment property asset measured at fair value.

p. New Accounting Standards & Interpretations

The Fund adopted the following new Accounting Standard and Interpretations during the period:

- AASB 2009-12 Amendments to Australian Accounting Standards.
- AASB 124 Related Party Disclosures (December 2009).
- AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project.
- AASB 2010-5 Amendments to Australian Accounting Standards.

There were no material impacts on the financial statements or performance of the Fund.

q. New Standards & Interpretations Not Yet Adopted

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

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Directors' have assessed that the application of these new standards will not have a significant impact on the Fund.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. New Accounting Standards & Interpretations (continued)

AASB 13: 'Fair Value Measurement', AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard defines fair value and sets out in a single Australian Accounting Standard a framework for measuring fair value, which is defined in such a way so as to emphasise that fair value is a market-based measurement, not an entity-specific measurement. The new standard first becomes mandatory for financial reporting periods ending on or after 1 July 2013. The application of this new standard is not expected to have any material impact on the Fund or the way in which it derives fair value measurements.

AASB 10: 'Consolidated Financial Statements'

This standard replaces the part of AASB 127: 'Consolidated and Separated Financial Statements' and is applicable for financial reporting periods beginning on or after 1 January 2013. This new standard introduces a new definition of control that determines which entities are consolidated. This new definition of control may potentially lead to the consolidation of the trust within another entity where the trust is not wound up prior to the initial application date. The Directors have not yet assessed the full potential impact of this new standard on the operations of the Fund.

r. Going Concern

As at 30 June 2012, the Fund has a working capital deficiency of $127.136m (2011: $111.773m). The deficit arises primarily due to the Suncorp debt facility expiration prior to 30 June 2013 amounting to $164.900m, which is classified as current as required under Australian Accounting Standards. The Fund has total equity of $45.119m as at 30 June 2012 (2011: $46.319m).

As at 30 June 2012 the Fund's Debt Facility was under a short term extension until 31 October 2012. During the year the fund breached both the LVR and minimum interest coverage covenants, and as at 30 June 2012 these breaches had not been rectified (refer note 11). The Financier has acknowledged these breaches and without waiving any of its rights, will not be taking any action at this time. These matters indicate a material uncertainty that may cast significant doubt about the Fund's ability to continue as a going concern.

The ability of the Scheme to continue operating as a going concern is therefore principally dependent upon the ongoing support of the fund's financier and cash flow positive operations.

The Fund is currently in discussions with the financier regarding securing an extension until 30 June 2013. Key to the successful debt renegotiation is a commitment to a sell-down strategy which would see staged sales of several Scheme investment properties in order to reduce the LVR of the Fund.

Whilst there is significant uncertainty as to the upcoming debt facility expiration and subsequent extension currently being considered by the financier, based upon ongoing significant discussions with the financier the Directors are of the reasonable opinion that the preparation of the financial report on a going concern basis is appropriate based on:

- The Fund's ability to renegotiate its finance facilities with the existing financier beyond 31 October 2012; or
- In the event that the facility is not extended, the ability to sell the remaining investment properties and satisfy the Fund's outstanding obligations.

The going concern basis presumes that the Fund will be able to finance future operations and that the realisation of assets and liabilities will occur in the normal course of business.

Should the Fund be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Fund be unable to continue as a going concern.

	2012 $000's	2011 $000's

NOTE 3 DISTRIBUTIONS

	2012 $000's	2011 $000's
Distributions paid or provided for by the Fund from unit capital		
Half year ended December 0.13 cents per unit (2011: 0.39 cents)	269	836
Half year ended June 0.17 cents per unit (2011: 0.15 cents)	375	324
	644	1,160

NOTE 4 REVENUE

	2012 $000's	2011 $000's
Rental income and outgoings recovered – investment property	24,462	23,789
Interest revenue	94	2,561
	24,556	26,350

NOTE 5 EXPENSES

	2012 $000's	2011 $000's
Trust level expenditure	3,251	3,980
Direct operating expenses of rental property generating operating revenue	7,110	7,503
	10,361	11,483

NOTE 6 TRADE AND OTHER RECEIVABLES

	2012 $000's	2011 $000's
Current		
Rent and outgoings receivable	833	949
Prepayments	119	413
Sundry receivables	93	41
Provision for impairment	(369)	(189)
	676	1,214

During the year additional amounts were provided against trade debtors identified as doubtful in the prior year, with approximately $4,000 of additional bad debts written off directly

	2012 $000's	2011 $000's
Non-Current		
Rent and outgoings receivable	1,282	1,184
Loan to Opus Capital Growth Fund No. 1	-	19,666
Provision for impairment	-	(19,666)
	1,282	1,184

During the year the Fund reversed the full amount of the provision for impairment of the Loan to Opus Capital Growth Fund No.1 and the loan was written off as a bad debt.

NOTE 7 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	2012 $000's	2011 $000's
Investment properties held for sale	38,040	72,040

During the year the Fund decided to sell the properties below. The Fund actively marketed the properties to potential buyers during the period.

NOTE 7 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

Valuation Basis at 30 June 2012

Property	Valuation Basis	Capitalisation Rate	Net Market Income $000's	Adjustments	Valuation $000's
437 St Kilda Road, Melbourne	Independent	7.90%	2,338	(2,634)	27,000
45 Dacre Street, Mitchell, Canberra	Independent	8.50%	944	(1,143)	10,000
Unit 4, 140 Paramount Boulevard, Derrimut	Independent	7.25%	41	(34)	530
Unit 5, 140 Paramount Boulevard, Derrimut	Independent	7.40%	40	(33)	510
					38,040

Valuation Basis at 30 June 2011

Property	Valuation Basis	Capitalisation Rate	Net Market Income $000's	Adjustments	Valuation $000's
137 Benjamin Place, Lytton[3]	Director's	n/a	n/a	n/a	3,100
142-150 Benjamin Place, Lytton	Independent	9.25%	675	(294)	7,000
Land at 26-30 Grafton Street, Cairns[1]	Director's	n/a	n/a	n/a	1,300
25-37 Huntingdale Rd, Burwood[2]	Director's	n/a	n/a	n/a	9,200
Cairns Corporate Tower[4]	Director's	n/a	n/a	n/a	44,000
Stage 1 140 Paramount Boulevard, Derrimut [2]	Director's	n/a	n/a	n/a	5,100
Four Lots, Stage 2 140 Paramount Boulevard, Derrimut	Director's	8.75%	219	(165)	2,340
					72,040

1 Valuation based on the most recent independent valuation undertaken.

2 Valuation based on executed contract of sale as at 30 June 2011. Settlement on these properties occurred subsequent to year end, for the contracted amount

3 Valuation based on an offer to purchase the property dated 1 September 2011. The indicative passing yield calculated based on the offer price is 9.89%

4 Valuation based on an offer to purchase the property . The indicative passing yield calculated based on the offer price is 9.31%

Movements and Reconciliation

	2012 $000's	2011 $000's
Balance at beginning of year	72,040	-
Transfers from investment property	37,000	71,495
Transfers to investment property	(52,300)	-
Movements in fair value	177	-
Disposals	(18,877)	-
Add rent receivable	-	352
Add leasing fees and incentives	-	193
Balance at end of year	38,040	72,040

	2012 $000's	2011 $000's
NOTE 8 OTHER NON-CURRENT ASSETS		
Leasing fees		
Leasing fees	2,318	1,982
Accumulated amortisation	(1,708)	(1,344)
	610	638
Leasing incentives		
Leasing incentives	4,448	6,218
Accumulated amortisation	(2,000)	(3,219)
	2,448	2,999
Total Other Assets	3,058	3,637

NOTE 9 INVESTMENT PROPERTIES

	2012 $000's	2011 $000's
Investment properties	168,310	153,579
Movements during the period		
Balance at beginning of year	153,579	237,665
Movements in fair value	(2,633)	(9,605)
Capital additions	2,097	976
Transfers from non-current assets held for sale	51,997	-
Disposals	-	(3,962)
Transfers to non-current assets held for sale	(36,730)	(71,495)
Balance at end of year	168,310	153,579
Reconciliation to investment property valuations		
Valuations at end of year	172,650	158,400
Less rent receivable	(1,282)	(1,184)
Less leasing fees and lease incentives	(3,058)	(3,637)
Balance at end of year	168,310	153,579

The basis of the valuation of investment properties is fair value being the amounts for which the properties could been exchanged between willing parties in an arm's length transaction, based on current prices in an active market. The 30 June 2012 valuations were based on independent assessments made by qualified and suitably experienced certified practicing external valuers as set out above in accordance with the methodology as set out in Note 2, using a capitalisation approach as the primary valuation method. The specific key assumptions and variables adopted in the valuations are set out below.

NOTE 9 INVESTMENT PROPERTIES (Continued)

Investment property valuations details

30 June 2012

Property	Valuation Basis	Capitalisation Rate	Net Market Income $000's	Adjustments	Valuation $000's
Gateway Office Park, Murrarie	Independent	9.25%	1,278	(571)	13,250
Land at 26-30 Grafton Street, Cairns	Independent	n/a	n/a	n/a	1,150
Cairns Corporate Tower	Independent	9.00%	4,206	(5,917)	40,800
142-150 Benjamin Place, Lytton	Independent	8.60%	675	(158)	7,700
Zurich House, 8-10 Karp Court, Bundall	Independent	10.00%	1,792	(5,483)	12,500
700 Springvale Road, Mulgrave	Independent	10.00%	1,973	(792)	19,000
12-14 The Circuit, Brisbane Airport	Independent	9.90%	1,886	(43)	19,000
436 Elgar Rd, Box Hill	Independent	8.65%	1,659	(2,171)	17,000
154 Varsity Parade, Varsity Lakes	Independent	9.25%	1,277	(1,982)	11,750
Building 7, Botanica Corporate Park	Independent	8.50%	2,641	(560)	30,500
					172,650

30 June 2011

Property	Valuation Basis	Capitalisation Rate	Net Market Income $000's	Adjustments	Valuation $000's
Zurich House, 8-10 Karp Court, Bundall	Independent	9.50%	1,578	(4,148)	12,400
700 Springvale Road, Mulgrave	Independent	9.00%	1,908	(2,211)	19,000
437 St Kilda Road, Melbourne	Independent	8.50%	2,227	(1,938)	24,200
Gateway Office Park, Murrarie	Independent	8.50%	1,082	163	13,000
12-14 The Circuit, Brisbane Airport	Independent	8.75%	1,553	826	18,600
436 Elgar Rd, Box Hill	Independent	8.50%	1,724	(2,709)	17,500
154 Varsity Parade, Varsity Lakes	Independent	9.50%	1,316	(1,690)	12,200
Building 7, Botanicca Corporate Park	Independent	8.00%	2,429	272	30,500
45 Dacre Street, Mitchell, Canberra	Independent	8.25%	987	(962)	11,000
					158,400

	2012 $000's	2011 $000's
NOTE 10 TRADE AND OTHER PAYABLES		
Current		
Trade and other payables	1,428	2,519
Revenue in advance	1,020	1,766
	2,448	4,285
Non-Current		
Security deposits	395	309

	2012 $000's	2011 $000's
NOTE 11 INTEREST BEARING LOANS AND BORROWINGS		
Bank loans (secured)	164,900	183,156
Loan from Opus Magnum Fund	1,748	1,748
	166,648	184,904

Bank Loan

The bank loan is secured by: (a) a first registered mortgage from The Public Trustee of Queensland over the applicable property; and (b) a first registered fixed and floating charge from Opus Capital Limited (limited to the assets of the Fund) in favour of the bank.

As at 30 June 2012 the facility was subject to a short term extension until 31 October 2012. As at the date of this financial report, the Responsible Entity is in discussions with the financier to extend the term of the facility to 30 June 2013.

Under the facility agreement operable at 30 June 2012, total core borrowings must remain less than 65% of the gross asset value and the Fund's earnings before interest, tax, depreciation and amortisation must not be less than 1.50 times the Fund's interest expenses.

The bank loan has a facility limit of $164,468,470 (2011: $182,518,981). At 30 June 2012 the Fund has drawn $164,139,143 (2011: $164,899,896) which is within the facility limit. During the year the fund breached both the LVR and minimum interest coverage covenants, and as at 30 June 2012 these breaches had not been rectified. The bank loan had a floating interest rate of 5.637% at year-end (2011: 6.91%).

Loan from Opus Magnum Fund

The loan from Opus Magnum Fund bears an interest rate of 13.00% (2011: 13.00%).

The loan is fully drawn at balance date and there are no unused facilities available (2011: Nil).

	2012 $000's	2011 $000's
NOTE 12 PROVISIONS		
Provision for distribution	54	55

Movements in provisions

Opening balance at beginning of year	55	572
Distributions provided for	644	1,160
Distributions paid	(645)	(1,677)
Balance at end of year	54	55

	2012 $000's	2011 $000's
NOTE 13 UNITHOLDERS FUNDS		
214,276,079 units (2011: 214,064,449)	139,303	139,887

	2012 Number	2011 Number	2012 $000's	2011 $000's
Movements during the year				
Balance at beginning of year	214,064,449	213,670,660	139,887	140,894
Applications	-	-	-	-
Distributions paid	-	-	(644)	(1,160)
Distributions reinvested	211,570	393,789	60	153
Issue costs	-	-	-	-
Balance at end of year	214,276,079	214,064,449	139,303	139,887

Units

Each unitholder has one vote for each unit that they have in the Fund. Unitholders have the right to receive distributions as declared and in the event of the Fund winding up to participate in the net proceeds from the sale of the assets in proportion to the number of units held.

Capital Risk Management

The Fund's objective when managing capital (taken to be unitholders' funds and retained earnings) is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for unitholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Fund may adjust the amount of distributions paid to unitholders, return capital to unitholders, issue new units or sell assets to reduce debt. Consistent with others in the industry, the Fund monitors capital on the basis of a Loan to Valuation Ratio (LVR). LVR is calculated as net debt divided by gross property values.

The LVR at 30 June 2012 and 30 June 2011 was as follows. It is noted that the LVR following the settlement of investment properties under contract for sale as at 30 June 2012 will be circa 75%. :

	2012 $000's	2011 $000's
Borrowings	166,648	184,904
Less:		
Cash and cash equivalents	(3,298)	(4,218)
Net debt	163,350	180,686
Gross value of investment property	210,690	230,440
Gearing Ratio*	78%	78%

* Differs from bank LVR due to the inclusion of "total net debt" as opposed to bank debt.

NOTE 14 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Fund. The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and maturity analysis for liquidity risk.

The Directors of the Responsible Entity have overall responsibility for the determination of the Fund's risk management objectives and policies. The overall objective of the Directors of the Responsible Entity is to set policies that seek to reduce risk as far as possible without unduly affecting the Fund's competitiveness and flexibility. Further details regarding these policies are set out below:

(a) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Fund incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Fund. The objective of managing credit risk is to limit the exposure of the Fund to such risk.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Fund also holds security deposits of $395k recognised as a liability in the statement of financial position, and also has bank guarantees in the Fund's favour of $4.274m not recorded in the statement of financial position, which may be drawn upon in the event of default. A portion of these amounts are pledged as security for recognised trade and other receivables.

Credit risk is reviewed regularly by the Directors of the Responsible Entity.

The credit quality of cash and cash equivalents is considered strong.

Maximum exposure to credit risk

	2012 $000's	2011 $000's
Cash and cash equivalents	3,298	4,218
Trade and other receivables (net of impairment)	2,057	2,398
	5,355	6,616

Ageing of receivables

Not past due	2,054	1,730
Past due 0-90 days	1	558
Past due >90 days	2	110
Impaired	369	189
	2,426	2,587

(b) Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulties raising funds to meet financial obligations as they fall due. Liquidity risk is reviewed regularly by the Directors of the Responsible Entity. The objective of the Responsible Entity in managing liquidity risk is to ensure the Fund will be able to meet its commitments as and when they fall due.

The Fund manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are maintained. The Fund did not have any financing facilities available at balance date.

The table below reflects the contractual maturity of fixed and floating rate financial liabilities. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2012. The amounts disclosed represent undiscounted cash flows.

NOTE 14 FINANCIAL RISK MANAGEMENT (Continued)

The remaining contractual maturities of the financial liabilities are:

	2012 $000's	2011 $000's
Less than one year		
Trade and other payables	2,448	4,285
Bank loans	164,900	183,156
Loan from Opus Magnum Fund	1,748	1,748
	169,096	189,189
Between one and five years		
Trade and other payables	395	309

(c) Market Risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

(d) Interest rate risk

Interest rate risk is managed by constant monitoring of interest rates. Exposure to interest rate risk is measured via sensitivity analysis. The Fund's objective in managing interest rate risk is to mitigate the impact of significant fluctuations in variable interest charges on the Fund's balance sheet and cash flows.

Interest rates over the 12 month period were analysed and a sensitivity determined to show the effect on profit and equity if the interest rates at reporting date had been 100 basis points higher or lower, with all other variables held constant. This level of sensitivity was considered reasonable given the current level of both short-term and long-term Australian interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance date, namely variable rate cash holdings and borrowings.

At 30 June 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, profit and equity would have been affected as follows:

	Profit Higher/(Lower)		Equity Higher/(Lower)	
Judgments of reasonably possible movements:	2012 $000's	2011 $000's	2012 $000's	2011 $000's
+1.00% (100 basis points)	(1,616)	(1,789)	(1,616)	(1,789)
-1.00% (100 basis points)	1,616	1,789	1,616	1,789

(e) Net Fair Values

The net fair values of financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the statement of financial performance and in the notes to the financial statements.

NOTE 15 RELATED PARTIES AND KEY MANAGEMENT PERSONNEL

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Responsible entity

The Responsible Entity of the Fund is Opus Capital Limited.

Key management personnel

The Directors of Opus Capital Limited at any time during or since the end of the financial year are:

Mr Matthew Madsen, Chairman	Appointed 22 September 2011
Mr Rowan Ward, Executive Director	Appointed 25 January 2011
Mr Mark Hallett, Non-Executive Director	Appointed 31 January 2011
Mr Maurice Kluge, Executive Chairman	Appointed 25 January 2011 and Resigned 22 September 2011
Mr Stephen Gosling, Executive Director	Appointed 25 January 2011 and Resigned 9 September 2011

Key management personnel compensation

No compensation is paid directly by the Fund to Directors or any employees of the Responsible Entity.

Key Management Personnel unitholdings (number of units)

2012	Opening Balance	Additions	Disposals	Closing Balance
Directors of Opus Capital Limited				
Mr Matthew Madsen	-	-	-	-
Mr Rowan Ward	-	-	-	-
Mr Mark Hallett	-	-	-	-
Mr Maurice Kluge	-	-	-	-
Mr Stephen Gosling	-	-	-	-
Responsible Entity				
Opus Capital Limited	-	-	-	-

2011	Opening Balance	Additions	Disposals	Closing Balance
Directors of Opus Capital Limited				
Mr Rodney Samut	-	-	-	-
Mr Dean Palmer	104,000	-	-	104,000
Mr William (Bill) de Steiger	20.000	-	-	20,000
Mr Ross Patane	-	-	-	-
Mr Maurice Kluge	-	-	-	-
Mr Rowan Ward	-	-	-	-
Mr Stephen Gosling	-	-	-	-
Mr Mark Hallett	-	-	-	-
Responsible Entity				
Opus Capital Limited	-	-	-	-

NOTE 15 RELATED PARTIES AND KEY MANAGEMENT PERSONNEL (Continued)

Transactions with Related Parties

Responsible Entity's fees and other transactions

Under the Fund constitution, the Responsible Entity is entitled to receive the following fees:

- Management fee amounting to 7% of the net rent received. Net rent is attained after deducting from the gross rent received, the cost of all rates, land tax, repairs and maintenance, insurance related to the property and all other expenses in respect of the property only and is calculated before the deduction of interest;
- Withdrawal fee amounting to between 1% and 3% (depending on the time the units were held) of the proceeds payable to unitholders upon withdrawal or transfer of units during the year; and
- Capital works fee amounting to 5% of the total capital costs incurred in relation to the investment properties.

The transactions during the year and amounts payable at year end between the Fund and the Responsible Entity were as follows:

	2012 $	2011 $
Responsible Entity's fees		
Management fee	1,208,230	1,122,372
Capital works fees	118,297	49,967
	1,326,527	1,172,339
Loan from Responsible Entity		
Opening balance	-	-
Drawdown	48,000	-
Repayment	-	-
Closing balance	48,000	-
Other transactions with the Responsible Entity		
Distributions paid on units held in the Fund by the Responsible Entity	23	-
Administration costs reimbursed in accordance with the Fund Constitution	118,281	330,948
Amounts receivable/(payable) to the Responsible Entity at reporting date	(483,562)	(432,442)

Other related parties

During the year, Integra Asset Management Pty Ltd and Opus Capital Services Pty Ltd were engaged to undertake property/facilities management for the properties owned by the Trust. These entities are subsidiaries of the Responsible Entity. All transactions were of a commercial nature on an arm's length basis. The fees paid for those services and administration costs reimbursed during the year were as follows:

Integra Asset Management Pty Ltd	1,258,671	807,870
Integra Facilities Management Pty Ltd	125,289	628,795
Opus Capital Services Pty Ltd	60,692	-
	1,444,652	1,436,665

Amounts receivable/(payable) to these entities at reporting date:

Integra Asset Management Pty Ltd	(9,186)	(75,413)
Integra Facilities Management Pty Ltd	(3,851)	(52,983)
Opus Capital Services Pty Ltd	(7,994)	-
	(21,031)	(128,396)

NOTE 15 RELATED PARTIES AND KEY MANAGEMENT PERSONNEL (Continued)

Loans with Related Parties

	2012 $	2011 $
Loan to Opus Capital Growth Fund No. 1		
Opening balance	19,665,690	17,268,752
Loan written off as a bad debt	(22,403,304)	-
Interest charged	2,737,614	2,396,938
Closing balance	-	19,665,690

The loan to Opus Capital Growth Fund No. 1 has been fully written off as a bad debt (refer to note 6).

	2012 $	2011 $
Loan from Opus Magnum Fund		
Opening balance	1,747,650	2,563,623
Loan repayments made	(240,447)	(1,069,298)
Interest charged	240,447	253,325
Closing balance	1,747,650	1,747,650

NOTE 16 AUDITORS' REMUNERATION

	2012 $	2011 $
Remuneration of the auditor for:		
Audit and review of the financial report	26,500	24,640
Other services	9,500	-
	36,000	24,640

NOTE 17 COMMITMENTS

	2012 $000's	2011 $000's
Future minimum lease payments receivable:		
Within one year	15,082	17,113
One year to five years	23,752	29,957
Later than five years	3,304	6,586
	42,138	53,656

Lease receivables have not been included in the Statement of financial position as under AASB 117 'Leases', lease income from operating leases is only recognised on a straight-line basis over the lease term. The lease receivables above include only currently signed leases and do not include options which exist over current leases as these may not be exercised.

NOTE 18 CASH FLOW INFORMATION

	2012 $000's	2011 $000's
Reconciliation of cash flow from operations with profit/(loss)		
Profit/(loss)	(616)	(11,934)
Non-cash items in profit/(loss)		
Change in fair value of investment property	2,633	9,605
Change in fair value of assets held for sale	(177)	-
Amortisation of borrowing costs	-	644
Interest income capitalised	-	(2,397)
Impairment of receivables	183	4,147
Loss on sale of investment property	653	248
Gain on sale of financial assets	-	(10)
Movements in assets and liabilities		
Trade and other receivables	446	(423)
Lease incentives and fees	1,243	1,105
Revenue in advance	(746)	646
Trade and other payables	(1,005)	561
Cash flow from operations	2,614	2,192
Reconciliation to cash at the end of the year		
Cash at bank	3,298	4,218

As disclosed in Note 19 below, it is anticipated that the Public Trustee will exercise it's lien over cash assets of the scheme up to the extent of the claim made against the trust by the Public Trustee as described in Note 20. The amount of cash subject to the lien is not disclosed for reasons as described in Note 20.

NOTE 19 EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

The Responsible Entity provided notice to the Public Trustee of Queensland as the outgoing custodian on the 28th of June 2012 of the appointment of Trust Company of Australia as the incoming custodian. The change in custodian necessitates the transfer of all assets from The Public Trustee as custodian of Opus Income & Capital Fund No.21 to Trust Company of Australia as custodian of Opus Income & Capital Fund No.21. This process is time consuming and includes the transfer of title of all real estate assets as well as cash in bank. It is hoped that the transfer will be concluded before half year end. It is anticipated that The Public Trustee will exercise their lien over certain scheme assets (cash) in relation to the Contingent Liability described in Note 20.

There have been no other events since 30 June 2012 that impact upon the financial report as at 30 June 2012.

NOTE 20 CONTINGENT LIABILITY

Opus Capital Limited, as responsible entity ("RE") of the scheme and a number of other related schemes ("schemes"), received invoices from the Public Trustee of Queensland ("Public Trustee"), as custodian for the schemes, for costs invoiced to the Public Trustee for legal services procured from Clayton Utz and one other law firm on behalf of the schemes. The RE has not been provided with full details of the nature of these legal costs and the schemes to which they relate. Such information has been requested from both the Public Trustee and from Clayton Utz but to date insufficient information has been provided to allow the RE to assess whether in paying the expenses it is fulfilling its fiduciary responsibilities to members of the schemes. The RE brought an application against Clayton Utz in the Queensland Supreme Court. Clayton Utz agreed to consent orders requiring them to provide fully itemized taxable form invoices within 90 days, being 18 September 2012. Once this information is to hand it is hoped that the RE will be able to form a view on the appropriateness of these accounts or otherwise and take appropriate action in relation to these. Accordingly at this time, the RE continues to not accept liability for the amount claimed by The Public Trustee on behalf of the schemes to this point, and no amounts are disclosed within this note as such disclosure may unreasonably prejudice the scheme in this matter. It is duly noted that a contingent liability exists as at 30 June 2012 in respect of this matter.

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

DIRECTOR'S DECLARATION

In the opinion of the directors of Opus Capital Limited, the Responsible Entity of Opus Income & Capital Fund No. 21:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Fund's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors of Opus Capital Limited, the Responsible Entity of Opus Income & Capital Fund No. 21 made pursuant to section 295(5) of the Corporations Act 2001.

Mr Matthew Madsen
Director

Dated at Brisbane this 27th day of September 2012

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Australia

INDEPENDENT AUDITOR'S REPORT

To the unitholders of Opus Income & Capital Fund No. 21

We have audited the accompanying financial report of Opus Income & Capital Fund No. 21, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and 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 responsible entity for the scheme.

Directors' Responsibility for the Financial Report

The directors of Opus Capital Limited as Responsible Entity of Opus Income & Capital Fund No. 21 are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 of the responsible entity, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Opus Income & Capital Fund No. 21 is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the registered scheme's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

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

Emphasis of Matter - Going Concern

Without modification to the opinion expressed above, we draw attention to Note 2(r) to the financial statements, which indicates that as at 30 June 2012 the Fund's current liabilities exceeded its current assets by $127.136m. These conditions, along with other matters as set forth in Note 2(r) indicate the existence of a material uncertainty that may cast significant doubt about the Fund's ability to continue as a going concern and therefore, the Fund may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO East Coast Partnership

BDO

A S Loots

Partner

Brisbane, 27 September 2012