

BBRC Belrose Fund

ABN 35 676 364 249

Audited Financial Statements
for the period ended 30 June 2014

BBRC Belrose Fund

For the period ended 30 June 2014

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BBRC Belrose Fund

Trustee's report

The Trustee presents their report on the Trust for the period ended 30 June 2014.

Trustee

The Trustee in office at any time during or since the end of the period was Belrose Super Centre Pty Limited.

Principal activities

The fund is a closed-ended unlisted Trust which was established to invest in homemaker centres within commercial real estate. The principal activity of the Trust is investment in commercial real estate, for the purpose of earning revenue in the form of rent. The Trust seeks to offer a stable income stream coupled with potential for capital growth over the longer term.

Distributions paid or payable to unitholders

Distributions paid or payable to unitholders by the trust in respect of the financial year ended 30 June 2013 was \$1,682,846.

Review of operations

The loss of the Trust for the period ended 30 June 2014 (pre distribution to unitholders) amounted to \$3,501,327.

Under Accounting Standards movements in the valuation of investment property are recorded in the statement of comprehensive income. However, while these items may cause fluctuation in the accounting profit they do not impact on the operating cash flow of the Trust.

Significant changes in state of affairs

Apart from those matters referred to in the previous sections of this report, there have been no other significant changes to the State of Affairs of the Trust during the financial year.

Events subsequent to the end of the reporting period

No matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial years.

Likely developments and expected results of operations

Likely developments in the operations of the Trust and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Trust.

Environmental regulation

The Trust's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

BBRC Belrose Fund

Trustee's report (continued)

Proceedings on behalf of the Trust

No person has applied for leave of Court to bring proceedings on behalf of the Trust or intervene in any proceedings to which the Trust is a party for the purpose of taking responsibility on behalf of the Trust for all or any part of those proceedings. The Trust was not a party to any such proceedings during the period.

Signed in accordance with a resolution of the Trustee:



Darren Holland

Director

Belrose Super Centre Pty Limited

in its capacity as Trustee of the BBRC Belrose Fund

Dated: 30 October 2014

BBRC Belrose Fund

Statement of comprehensive income for the period ended 30 June 2014

	<u>Notes</u>	<u>8 August 2013 to 30 June 2014</u> <u>\$</u>
Rent received		5,834,117
Recoverable expenses		610,185
Interest income		71,099
Other income		954,376
Total income		7,469,777
Administration expenses		(984,305)
Direct property expenses		(1,381,481)
Finance costs		(1,642,090)
Management fees		(705,065)
Total expenses	2	(4,712,941)
Fair value adjustment - investment property		(6,258,163)
Net loss for the period		(3,501,327)
Other comprehensive income		-
Total comprehensive loss for the period		(3,501,327)

The accompanying notes form part of these financial statements.

BBRC Belrose Fund

Statement of financial position as at 30 June 2014

	<u>Notes</u>	<u>2014</u> <u>\$</u>
ASSETS		
Current assets		
Cash and cash equivalents	3	2,603,082
Trade and other receivables	4	559,824
Total current assets		3,162,906
Non-current assets		
Investment properties	5	88,000,000
Total non-current assets		88,000,000
Total assets		91,162,906
LIABILITIES		
Current liabilities		
Trade and other payables	6	690,145
Total current liabilities		690,145
Non-current liabilities		
Interest-bearing liabilities	7	52,315,614
Total non-current liabilities		52,315,614
Total liabilities		53,005,759
Net assets		38,157,147
Net assets attributable to unitholders		
Units in issue	8	41,658,474
Undistributed income		(3,501,327)
Total equity		38,157,147

The accompanying notes form part of these financial statements.

BBRC Belrose Fund

Statement of changes in equity for the period ended 30 June 2014

	Unitholders funds \$
Balance at 8 August 2013	-
Comprehensive income	
Loss attributable to unitholders	(3,501,327)
Other comprehensive income for the period	-
Total comprehensive loss for the period attributable to unitholders	(3,501,327)
Transactions with unitholders	
Application for units	43,950,000
Fund establishment costs	(608,680)
Distributions to unitholders	(1,682,846)
Total transactions with unitholders	41,658,474
Balance as at 30 June 2014	38,157,147

The accompanying notes form part of these financial statements.

BBRC Belrose Fund

Statement of cash flows for the period ended 30 June 2014

	<u>Notes</u>	<u>8 August 2013 to 30 June 2014 \$</u>
Cash flows from operating activities		
Proceeds from customers		6,838,854
Payments to suppliers and employees		(2,380,706)
Interest received		71,099
Interest paid		(1,565,911)
Net cash flows provided by operating activities	12	<u>2,963,336</u>
Cash flows from investing activities		
Payments for investment properties		(94,258,163)
Net cash flows used in investing activities		<u>(94,258,163)</u>
Cash flows from financing activities		
Distributions paid		(1,682,846)
Proceeds from unitholders		43,341,320
Proceeds from borrowings		52,239,435
Net cash provided by financing activities		<u>93,897,909</u>
Net increase in cash held		2,603,082
Cash at the beginning of period		<u>-</u>
Cash at the end of period	3	<u><u>2,603,082</u></u>

The accompanying notes form part of these financial statements.

BBRC Belrose Fund

Notes to the financial statements for the period ended 30 June 2014

1 Statement of significant accounting policies

BBRC Belrose Fund is a Trust established and domiciled in Australia.

The Trust was constituted on 8 August 2013, hence no comparatives are presented within the financial statements.

Basis of preparation

The trustees have prepared the financial statements on the basis that the Trust is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the Trust Deed. The Trust is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards and the significant accounting policies disclosed below, which the trustees have determined are appropriate to meet the needs of unitholders. The financial statements also comply with the disclosure requirements of:

- AASB 101: Presentation of Financial Statements
- AASB 107: Statement of Cash Flows
- AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors
- AASB 1048: Interpretation of Standards
- AASB 1054: Australian Additional Disclosures

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on 31 October 2014 by the trustee of the Trust.

Accounting Policies

(a) Investment properties

Investment property is property which is held to earn rental income, or for capital appreciation, or for both

Investment properties are carried at fair value determined either by the trustees or independent valuers. Changes to fair value are recorded in the statement of comprehensive income. Investment properties are not depreciated.

Property (including land and buildings) held for long-term rental yield is classified as an investment property.

Initially, investment properties are measured at cost including transaction costs.

Subsequent to initial recognition, investment properties are carried at fair value. Fair value is based on active market prices, adjusted for any difference in the nature, location or condition of the specific asset or where this is not available, an appropriate valuation method which may include discounted cashflow projections and the capitalisation method. The fair value reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. It also reflects any cash outflows (excluding those relating to future capital expenditure) that could be expected in respect of the property.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably.

Land and buildings (including integral plant and equipment) that comprise the investment property are not depreciated.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the year in which they arise.

BBRC Belrose Fund

Notes to the financial statements for the period ended 30 June 2014

1 Statement of significant accounting policies (continued)

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

Any gains or losses on derecognition of an investment property are recognised in the statement of comprehensive income in the year of derecognition.

Investment properties which are held for sale in the next 12 months from the reporting date are classified as current assets, others are classified as non-current assets.

The fair value of investment properties excludes any accrued operating lease income or lease incentives recognised as receivable in accordance with AASB 117.

(b) Revenue

Rental income from operating leases is recognised as income on a straight-line basis over the lease term. Where a lease has fixed annual increases, the total rent receivable over the operating lease is recognised as revenue on a straight-line basis over the lease term. This results in more income being recognised early in the lease term and less late in the lease term compared to the lease conditions. The difference between the lease income recognised and actual lease payments received is included in receivables.

Lease incentives provided by the Trust to lessees are excluded from the measurement of fair value of investment property and are included in receivables. The amounts are recognised over the lease periods as rental income.

Interest income is recognised in the income statement on a time basis using the effective interest rate method.

Other income is recognised when the right to receive the revenue has been established.

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

(c) 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. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(d) 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 ATO. 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 are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

BBRC Belrose Fund

Notes to the financial statements for the period ended 30 June 2014

1 Statement of significant accounting policies (continued)

(e) Financial instruments

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at “fair value through profit or loss” when they are held for trading for the purpose of short-term profit taking, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) *Loans and 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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) *Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Trust assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors (or a group of debtors) are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account, or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

BBRC Belrose Fund

Notes to the financial statements for the period ended 30 June 2014

1 Statement of significant accounting policies (continued)

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Trust recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(f) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

(g) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(h) Critical accounting estimates and judgements

The trustees evaluate estimates and judgements 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 judgements

Valuation of investment property

As described in note 1 (a) above, the Trust uses valuation techniques to estimate the fair value of investment property. Detailed information about the key assumptions used in the determination of the fair value of investment property is included in note 1 (a).

The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of investment property.

(i) Unitholders policy

Issued and paid up capital is recognised at the fair value received by the Fund. The units confer the unitholders an equal interest in the Fund. A unit does not confer any interest in any particular asset of the Fund. The unitholders have an interest in the income of the Fund and the residual net assets and therefore is treated as equity. Any transaction costs arising on issue of units are recognised directly as a deduction to unit proceeds unpaid distributions of the income earned are treated as a redemption of units.

(j) New accounting standards for application in future periods

The Australian Accounting Standards Board has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The entity has decided not to early adopt any of the new and amended pronouncements.

BBRC Belrose Fund

Notes to the financial statements for the period ended 30 June 2014

8 August 2013 to 30
June 2014
\$

2 Expenses

Administration expenses	984,305
Direct property expenses	1,381,481
Management fees	705,065
Finance costs:	
Borrowing expenses	85,251
Interest expense	1,556,839
Total finance costs	<u>1,642,090</u>
Total expenses	<u><u>4,712,941</u></u>

2014
\$

3 Cash and cash equivalents

Cash at bank	2,603,082
	<u><u>2,603,082</u></u>

4 Trade and other receivables

Trade debtors	26,291
Prepayments	275,018
Accrued income	258,515
	<u><u>559,824</u></u>

5 Investment properties

(a) Movements during the financial year

Opening balance at 8 August 2013	-
Acquisitions	94,258,163
Fair value adjustment - investment property	(6,258,163)
Closing balance at 30 June 2014	<u><u>88,000,000</u></u>

(b) Amounts recognised in profit and loss for investment properties

Rental income and other income	7,398,678
Direct operating expenses from properties that generated rental income	(1,381,481)
	<u><u>6,017,197</u></u>

All direct property operating expenses related to those that generated rental income during the period.

6 Trade and other payables

Accruals and deferred income	602,207
Other payables	87,938
	<u><u>690,145</u></u>

BBRC Belrose Fund

Notes to the financial statements for the period ended 30 June 2014

	2014 \$
7 Interest-bearing liabilities	
SECURED	
Commercial Bills	52,315,614

The commercial bill has a fixed interest rate of 3.67% at balance date with a maturity date of 13 August 2016.

They are secured by a first registered mortgage with the property at 4-6 Nigangala Close, Belrose, New South Wales and have additional general security over all present and after acquired property.

	2014 No.	2014 \$
Units on issue at 14 August 2012		
Applications	43,950,000	43,950,000
Distribution paid	-	(1,682,846)
Fund establishment cost	-	(608,680)
Units on issue at 30 June 2013	<u>43,950,000</u>	<u>41,658,474</u>

9 Remuneration to auditors

During the financial year the following fees were paid for services provided by RSM Bird Cameron, the auditors of the Trust:

Audit of the financial report including preparation of financial statements	9,500
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10 Events after the balance sheet date

No matters or circumstances have arisen since the end of the period under review which significantly affected or may significantly affect the operations of the Trust, the result of those operations, or the state of affairs of the Trust for future years.

11 Contingent Liabilities

As at there are no claims against the Trust by any customer in the current year. The Trust is not involved in any litigation procedures, which would lead to a claim against the Trust.

12 Cash flow information

	2014 \$
Reconciliation of cash flow operating profit or loss for the period	
Loss attributable to unitholders	(3,501,327)
Non-cash flows items included in profit or loss:	
- Fair value adjustment - investment property	6,258,163
- Borrowing costs	76,179
Change in assets and liabilities:	
- Increase in trade and other receivables	(559,824)
- Increase in trade and other payables	690,145
	<u>2,963,336</u>

13 Trust details

The principal place of business and registered office of the Trust is Level 14, 71 Macquarie Street, SYDNEY, NSW 2000.

BBRC Belrose Fund

Trustee's declaration

In accordance with a resolution of the Trust of BBRC Belrose Fund, the trustees have determined that the Trust is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The trustees of the Trust declare that:

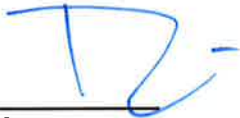
In the trustee's opinion:

1. The financial statements and notes thereto:

a. are in accordance with Australian Accounting Standards as described in Note 1 to the financial statements; and

b. give a true and fair view of the Trust's financial position as at 30 June 2014 and of its performance for the period ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.

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



Darren Holland

Director

Belrose Super Centre Pty Limited

in its capacity as Trustee of the BBRC Belrose Fund

Dated: 30 October 2014

RSM Bird Cameron

Level 12, 60 Castlereagh Street Sydney NSW 2000

GPO Box 5138 Sydney NSW 2001

T +61 2 8226 4500 F +61 2 8226 4501

www.rsmi.com.au

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF
BBRC BELROSE FUND**

We have audited the accompanying financial report, being a special purpose financial report, of BBRC Belrose Fund, which comprises the balance as at 30 June 2014, 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.

Trustee's Responsibility for the Financial Report

The trustee is responsible for the preparation of the financial report, and has determined that the basis of preparation described in Note 1, is appropriate to meet the needs of the unitholders. The Trustee's responsibility also includes such internal control as the Trustee determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

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. These Auditing Standards require that we comply with relevant ethical requirements 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 and fair presentation of the financial report 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 Trustee, 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 Australian professional accounting bodies.

Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of BBRC Belrose Fund as of 30 June 2014 and its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

Basis of accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist BBRC Belrose Fund to meet the requirements of Trust Deed. As a result, the financial report may not be suitable for another purpose

RSM Bird Cameron

RSM BIRD CAMERON

DTalbot

Sydney, NSW
Dated: 31 October 2014

David Talbot