

Managed By



**BLACKWALL**  
PROPERTY FUNDS

# **BlackWall Penrith Fund No.3**

ARSN 165 156 945

## **Financial Statements**

Year Ended 30 June 2015

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## Directors' Report

BlackWall Penrith Fund No. 3 is a registered managed investment scheme. BlackWall Fund Services Limited acts as the Responsible Entity.

The Fund is a property investment trust with an interest in a 'big-box' retail property located on Mulgoa Road, Penrith. As the Fund's name suggests this is the third investment syndicate structured with respect to the Property (the first commenced in 2002). Since that time the Property has generated investor distributions of not less than 8.75% per annum. These distributions have been paid quarterly and have never been postponed or suspended.

Importantly, during the year, Boating Camping Fishing exercised its option extending its lease expiry to 2022. The Property remains fully let with gross income of around \$1.9 million p.a. Details of the tenancy profile are set out below:

Tenant	Commencement	Tenancy (sqm)	Lease Expiry
Toys R Us	October 1996	2,820	October 2016
Boating Camping Fishing	December 2007	1,454	December 2022
Barbeques Galore	November 1996	1,130	November 2016
Little Learning School	April 2014	683	April 2034
Rashay's	October 2013	550	September 2023

The bank debt facility is \$10.7 million against a Directors' valuation of \$17.6 million. BlackWall recently negotiated a reduction of the bank margin for this facility to 1.95% for 3 years (2014: 2.20%).

During the year, the Fund paid a total of \$405,000 of distributions to unitholders paid as quarterly cash distributions at 9% per annum.

The Responsible Entity, BlackWall Fund Services Limited, is a wholly owned subsidiary of ASX-listed BlackWall Property Funds Limited. BlackWall is a vertically integrated real estate company engaged in funds management and principal investment in deep value or property related special situations. BlackWall is listed on the ASX under the stock code BWF. BlackWall and the Responsible Entity share the same board of directors (Directors) and management.

### Fund Structure

The Fund issued units known as Property Income and Participating Equity Securities or PIPES. The PIPES structure is a hybrid property investment with characteristics of both debt and equity.

Under the PIPES structure, investors are allocated units in a trust. That trust makes an investment (PIPES Capital) in real estate (120 Mulgoa Rd, Penrith) secured by a debt instrument (PIPES Mortgage). PIPES Capital ranks in priority to the property owner's equity and subordinate to bank debt. The PIPES Mortgage also gives control of the Property (including its cash flow) to the Responsible Entity on behalf of the Fund.

Distributions are comprised of:

- PIPES Interest - a quarterly preferred payment equating to 9% per annum of PIPES Capital; and
- PIPES Bonus – a 20% share in the capital growth of the property on termination of the Fund.

### Significant Changes in Affairs

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

### **Information on Officeholders**

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

#### **Richard Hill, Non-Executive Director (Independent Chairman)**

Richard Hill has extensive investment banking experience and was the founding partner of the corporate advisory firm Hill Young & Associates. Richard has invested in BlackWall's projects since the early 1990s. Prior to forming Hill Young, Richard held a number of Senior Executive positions in Hong Kong and New York with HSBC. He was admitted as an attorney in New York State and was registered by the US Securities & Exchange Commission and the Ontario Securities Commission. He is the Chairman of Sirtex Medical Limited (listed on the ASX). In addition, Richard is Chairman of the Westmead Millennium Institute for Medical Research.

#### **Joseph (Seph) Glew, Non-Executive Director**

Seph has worked in the commercial property industry in New Zealand, the USA and Australia. Seph has driven large scale property development and financial structuring for real estate for over 30 years. In addition, since the early 1990s Seph has run many turnaround processes in relation to distressed properties and property structures for both private and institutional property owners.

While working for the Housing Corporation of New Zealand and then AMP, Seph qualified as a registered valuer and holds a Bachelor of Commerce. In the 1980s he served as an Executive Director with New Zealand based property group Chase Corporation and as a Non-Executive Director with a number of other listed companies in New Zealand and Australia.

#### **Robin Tedder, Non-Executive Director**

Robin has around 40 years' experience in investment and financial markets. He has been an investor in BlackWall's projects since 1997. Robin is the Chairman of Vintage Capital Pty Ltd, an investment company with interests in property, wealth management, logistics and healthcare. He is a former member of the ASX and has served on the boards of several investment banks in Australia and overseas. He is a Director of Probiotec Ltd (a pharmaceutical manufacturing company listed on the ASX). Robin is also a Fellow of the Financial Services Institute of Australasia.

#### **Stuart Brown, Executive Director and Chief Executive Officer**

Stuart has been involved in property investment for over 17 years. Stuart has run debt and equity raising in relation to listed and unlisted real estate structures with over a half a billion dollars in value.

In his earlier career, Stuart practised as a solicitor in the areas of real estate, mergers and acquisitions and corporate advisory with Mallesons and Gilbert + Tobin. Stuart is an independent Director of Coogee Boys' Preparatory School.

#### **Caroline Raw (Company Secretary from 18 February 2015)**

Caroline Raw joined the BlackWall team in 2013 and is responsible for executing corporate and fund transactions across the BlackWall Group. Caroline has been practising as a solicitor in NSW since 2005 and has worked predominantly on IPOs, public and private capital raisings, funds management, corporate advisory, takeovers and mergers and acquisitions. Caroline holds a Bachelor of Commerce, Bachelor of Laws and Graduate Diploma in Applied Corporate Governance. Caroline is also a Chartered Secretary and Associate Member of the Governance Institute of Australia.

(Don Bayly - Company Secretary until 18 February 2015).

### Meeting Attendances

Director	Board Meetings
Meetings Held	10
Richard Hill	10
Seph Glew	10
Robin Tedder	10
Stuart Brown	10

### Events Subsequent to Reporting Date and Likely Developments

To the best of the Directors' knowledge, since the end of the financial year there have been no matters or circumstances that have materially affected the Fund's operations or may materially affect its operations, state of affairs or the results of operations in future financial years.

### Remuneration

In accordance with the terms of the Constitution and Product Disclosure Statement, the Responsible Entity is entitled to receive an annual management fee based on 0.5% of the gross asset value of the Fund. The total fees paid to the Responsible Entity and its associates during the year are set out in the Related Party Transactions note.

There were no fees paid or payable from the Fund to the Directors of the Responsible Entity during the financial year.

The Fund does not provide any short term or post employment benefits to its KMP. KMP include all Directors and the Chief Financial Officer (Tim Brown).

### Interests in the Fund

The number of units on issue at 30 June 2015 was 4,500,000 (2014: 4,500,000). The Responsible Entity and its associates held 273,158 units in the Fund as at 30 June 2015. There were no withdrawals from the Fund during the year.

### Value of Fund's Assets

The value of the Fund's assets is set out in the Statement of Financial Position in the Total Assets line. Refer to the Financial Assets note for valuation details.

### Environmental Regulation

The Fund's operations are not regulated by any environmental regulation under a law of the Commonwealth or of a State or a Territory.

### Indemnities of Officers

During the financial period the Responsible Entity has paid premiums to insure each of the Directors named in this report along with officers of that Responsible Entity against all liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Responsible Entity, other than conduct involving a wilful breach of

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

**Non-audit Services and Auditor**

Amounts paid to the auditor during the year are detailed at the Auditor's Remuneration note of the financial statements.

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

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

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

A handwritten signature in black ink, appearing to be 'Stuart Brown', with a stylized, looping initial 'S' and a trailing horizontal line.

**Stuart Brown**

Director

Sydney, 8 September 2015



AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of Blackwall Fund Services Limited ("the Responsible Entity")

As auditor for the audit of BlackWall Penrith Fund No. 3 for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Dated at Sydney the 7<sup>th</sup> day of September 2015.

A stylized blue ink signature of the ESV logo, consisting of the letters 'ESV' in a cursive, handwritten style.

ESV Accounting and Business Advisors

A blue ink handwritten signature of Tim Valtwies, written in a cursive style.

Tim Valtwies  
Partner

**Statement of Profit or Loss and Other Comprehensive Income**  
**For the Year Ended 30 June 2015**

		<b>2015</b>	<b>2014</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
PIPES interest from PIPES mortgage		405,000	203,141
Interest		310	140
<b>Total revenue</b>	<b>1</b>	<b>405,310</b>	<b>203,181</b>
PIPES interest paid to unitholders	<b>2</b>	(405,000)	(203,141)
Administration expenses		(310)	(140)
<b>Undistributed Net Profit For the Year</b>		<b>-</b>	<b>-</b>
<b>Total Comprehensive Income For the Year</b>		<b>-</b>	<b>-</b>

The Fund was registered on 16 August 2013.

**The accompanying notes form part of these financial statements.**



**Statement of Financial Position**

**For the Year Ended 30 June 2015**

	Note	2015	2014 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	350	155
Receivables	4	101,126	101,141
<b>Total Current Assets</b>		<u>101,476</u>	<u>101,296</u>
<b>Non-current Assets</b>			
Financial assets	5	<u>4,500,000</u>	<u>4,500,000</u>
<b>Total Non-current Assets</b>		<u>4,500,000</u>	<u>4,500,000</u>
<b>TOTAL ASSETS</b>		<u><b>4,601,476</b></u>	<u><b>4,601,296</b></u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	6	<u>101,476</u>	<u>101,296</u>
<b>Total Current Liabilities</b>		<u>101,476</u>	<u>101,296</u>
<b>Non-current Liabilities</b>			
Financial liabilities	7	<u>4,500,000</u>	<u>4,500,000</u>
<b>Total Non-current Liabilities</b>		<u>4,500,000</u>	<u>4,500,000</u>
<b>TOTAL LIABILITIES</b>		<u><b>4,601,476</b></u>	<u><b>4,601,296</b></u>
<b>NET ASSETS</b>		<u>-</u>	<u>-</u>
<b>INVESTORS' FUND</b>			
Undistributed net income		<u>-</u>	<u>-</u>
<b>TOTAL INVESTORS' FUND</b>		<u><b>-</b></u>	<u><b>-</b></u>

**Statement of Changes in Net Assets Attributable to Unitholders**  
**For the Year Ended 30 June 2015**

As the Fund has no equity, the Fund has not included any items of changes in equity for the current or prior years.

**Statement of Cash Flows**

**For the Year Ended 30 June 2015**

	<b>Note</b>	<b>2015</b> \$	<b>2014</b> \$
<b>Cash Flows From Operating Activities</b>			
Interest received from PIPES mortgage		405,000	102,000
Interest distributions to unitholders		(405,000)	(101,845)
Interest received		310	140
Bank charges paid		(115)	(140)
<b>Net Cash Flows From Operating Activities</b>	10	<b>195</b>	<b>155</b>
<b>Cash Flows From Investing Activities</b>			
Payments for investments		-	(4,500,000)
<b>Net Cash Flows Used in Investing Activities</b>		<b>-</b>	<b>(4,500,000)</b>
<b>Cash Flows From Financing Activities</b>			
Proceeds from issue of units to unitholders		-	4,500,000
<b>Net Cash Flows From Financing Activities</b>		<b>-</b>	<b>4,500,000</b>
<b>Net Increase in Cash Held</b>		<b>195</b>	<b>155</b>
Cash and cash equivalents at the beginning of period		155	-
<b>Cash and Cash Equivalents at the End of Period</b>	3	<b>350</b>	<b>155</b>

**Notes to the Financial Statements**

**For the Year Ended 30 June 2015**

**1. Revenue**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
PIPES interest from PIPES mortgage	405,000	203,141
Interest	310	140
<b>Total</b>	<b>405,310</b>	<b>203,281</b>

**2. PIPES Interest Paid to Unitholders**

	<b>2015</b>	<b>2014</b>
	<b>CPU \$</b>	<b>CPU \$</b>
Interest on application money	-	641
Interest paid in October for September quarter	2.25 101,250	-
Interest paid in January for December quarter	2.25 101,250	-
Interest paid in April for March quarter	2.25 101,250	2.25 101,250
Interest payable in July for June quarter	2.25 101,250	2.25 101,250
<b>Total</b>	<b>9.00 405,000</b>	<b>4.50 203,141</b>

This reflects an annual 9% return on a \$1 investment for the year ended 30 June 2015.

**3. Current Assets – Cash and Cash Equivalents**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	350	155
<b>Total</b>	<b>350</b>	<b>155</b>

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

**4. Current Assets – Receivables**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
PIPES interest receivable	101,126	101,141
<b>Total</b>	<b>101,126</b>	<b>101,141</b>

**5. Non-current Assets – Financial Assets**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
PIPES Mortgage	4,500,000	4,500,000
<b>Total</b>	<b>4,500,000</b>	<b>4,500,000</b>

The Fund has advanced monies secured by a registered second mortgage over property at 120 Mulgoa Road, Penrith.

**6. Current Liabilities – Payables**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Distributions payable	101,242	101,141
Other payable	234	155
<b>Total</b>	<b>101,476</b>	<b>101,296</b>

**Notes to the Financial Statements**

**For the Year Ended 30 June 2015**

**7. Non-current Liabilities – Financial Liabilities**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Amounts due to unitholders	4,500,000	4,500,000
<b>Total</b>	<b>4,500,000</b>	<b>4,500,000</b>
Movements during the year:		
Opening balance	4,500,000	-
Units issued	-	4,500,000
Closing balance	4,500,000	4,500,000

*Terms and conditions*

All units in the Fund are the same class and carry equal rights. Under the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund.

The units are referred to as 'Property Income and Participating Equity Securities' or PIPES. Holders of units are entitled to participate in investment returns earned by the Fund in the proportion that their unitholding comprises to the total number of units issued, and are entitled to one vote per unit at unitholders' meetings. The Fund is expected to have a term of 7 years from registration.

Due to the finite life clause contained within the Fund's Constitution and product disclosure statement, and in accordance with the Accounting Standards, the issued units in the Fund have been classified as debt for these financial statements.

**8. Auditor's Remuneration**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Remuneration of the auditor of the Fund:		
Audit or other audit related services	7,667	10,000
Taxation services	1,390	-
<b>Total</b>	<b>9,057</b>	<b>10,000</b>

The Auditor's remuneration is paid out of the underlying property assets.

**9. Commitments and Contingencies**

There are no commitments or contingencies as at 30 June 2015 (2014: nil).

**10. Reconciliation of Profit After Income Tax to Operating Cash Flows**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Profit for the year	-	-
Change in assets and liabilities:		
Decrease / (increase) in receivables	15	(101,141)
Increase in payables	180	101,296
<b>Net cash flows from operating activities</b>	<b>195</b>	<b>155</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2015

### 11. Subsequent Events

To the best of the Directors' knowledge, since the end of the financial year there have been no matters or circumstances that have materially affected the Fund's operations or may materially affect its operations, state of affairs or the results of operations in future financial years.

### 12. Related Party Transactions

#### (a) Related Parties

In these financial statements, related parties are parties as defined by *AASB 124 Related Party Disclosures*.

#### (b) Transactions with Related Parties

Total unitholdings held by related parties as at 30 June 2015 was 819,472 (2014: 2,759,000).

In accordance with the terms of the Fund Constitution, the Responsible Entity is entitled to a management fee of 0.5% per annum of the property's value, payable monthly in arrears. The fees are paid from the underlying property assets not from the Fund's assets.

All transactions with related parties were made on normal commercial terms and conditions and at market rates.

Related party transactions that occurred during the year (2014: 6 months to June) are as follows:

	2015	2014
Expenses	\$	\$
Fund management fee paid to Responsible Entity	82,800	41,400
Distribution paid/payable to related unitholders	136,112	137,739
Receivables from related parties - current	101,126	101,141
Payables to related parties - current	18,636	62,078

### 13. Financial Risk Management

#### (a) Financial risk management

The main risks the Fund is exposed to through its financial instruments are market risk and liquidity risk. The Fund's exposure to credit risk is to one party being the mortgagor Planloc Pty Ltd for which a second mortgage is held as collateral. The Fund's major financial instruments are financial mortgage assets and net assets attributable due to unit holders.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the risk management framework. They monitor the Fund's risk exposures by regularly reviewing finance and property markets. An analysis of major financial instruments held by the Fund, which are subject to financial risk, is as follows:

	2015	2014
	\$	\$
Financial assets	4,500,000	4,500,000

There is no material difference between the carrying value and the fair value of the financial assets.

**Notes to the Financial Statements**

**For the Year Ended 30 June 2015**

**(b) Market risk**

The Fund is exposed to market risk if insufficient cash flows are generated by the underlying property supporting the financial assets to enable PIPES Mortgage interest to be received by unitholders via distributions. The interest rate for the PIPES Mortgage is fixed at 9% for the life of the Fund. Distributions to investors may also be affected by fluctuations in the interest rate applicable to the senior debt facility secured on the property. If interest rates had moved at 30 June, with all other variables held constant, profit would have not been materially affected. Therefore a sensitivity analysis has not been prepared.

**(c) Liquidity risk**

Units in the Fund are regarded as illiquid. This means that there is no active market in which to sell units except for off-market transfer. The Responsible Entity has no obligation to purchase or redeem units during the term of the Fund. There is no secondary market for units and transfers may only be effected in accordance with the Constitution and with the approval of the Responsible Entity. At the end of the year, the Fund held the following financial arrangements that are expected to readily generate cash inflows and outflows for managing liquidity risk.

	<b>Maturing within 1 year \$</b>	<b>Maturing over 5 years \$</b>	<b>Total \$</b>
<b>At 30 June 2015</b>			
<b>Financial assets</b>			
Cash and cash equivalents	350	-	350
Receivables	101,126	-	101,126
PIPES Mortgage	-	4,500,000	4,500,000
	<b>101,476</b>	<b>4,500,000</b>	<b>4,601,476</b>
<b>Financial liabilities</b>			
Payables	101,476	-	101,476
Amounts due to unitholders	-	4,500,000	4,500,000
	<b>101,476</b>	<b>4,500,000</b>	<b>4,601,476</b>
	<b>Maturing within 1 year \$</b>	<b>Maturing over 5 years \$</b>	<b>Total \$</b>
<b>At 30 June 2014</b>			
<b>Financial assets</b>			
Cash and cash equivalents	155	-	155
Receivables	101,141	-	101,141
PIPES Mortgage	-	4,500,000	4,500,000
	<b>101,296</b>	<b>4,500,000</b>	<b>4,601,296</b>
<b>Financial liabilities</b>			
Payables	101,296	-	101,296
Amounts due to unitholders	-	4,500,000	4,500,000
	<b>101,296</b>	<b>4,500,000</b>	<b>4,601,296</b>

**14. Segment Reporting**

The Fund currently operates in one business segment in Australia acting as the recipient of income to which investors are entitled to and to distribute this income to investors in proportion to their entitlements.

**Notes to the Financial Statements**

**For the Year Ended 30 June 2015**

**15. Fund Details**

The management of the Fund is undertaken at:  
Level 1, 50 Yeo Street  
Neutral Bay, NSW, 2089

**16. Critical Accounting Estimates and Judgments**

The Directors of the Responsible Entity evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Fund.

*Key estimates – impairment*

The Fund assesses impairment at each reporting date by evaluating conditions specific to the Fund that may lead to impairment of assets. The Directors of the Responsible Entity believed it appropriate to raise no impairment provisions for the current year.

**17. Statement of Significant Accounting Policies**

The Fund is a managed investment scheme registered in Australia. The financial statements for the Fund were authorised for issue in accordance with the resolution of the Directors of the Responsible Entity on the date they were issued.

**Basis of preparation**

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

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

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

**New and amended standards adopted**

The Fund has not adopted any new standards as none of them have material changes to the Fund's financial statements.

**Presentation of financial statements**

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



## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2015**

#### **Going concern**

These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

#### **Financial Assets**

As provided for in the Constitution, investors in the Fund acquired units, known as PIPES units. The assets are classified as held-to-maturity investments. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than:

- (a) those that the entity upon initial recognition designates as at fair value through profit or loss;
- (b) those that the entity designates as available for sale; and
- (c) those that meet the definition of loans and receivables.

The operative asset of the Fund is a registered second mortgage over 120 Mulgoa Road, Penrith.

#### **Recognition/derecognition**

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' agreement; or
- the Fund has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset; or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Any gains or losses arising on derecognition of the asset (calculated as the difference between the disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the reporting period the asset is derecognised as realised gains or losses on financial instruments.

#### **Measurement**

##### *Pipes Mortgage*

Mortgage loans are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any.

The Responsible Entity assesses at each reporting period date whether there is any objective evidence that mortgage loans are impaired. A mortgage loan is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the mortgage

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2015**

loan (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the mortgage loan that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing other financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If any such indication of impairment exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the loan loss provision account.

For the purpose of a collective evaluation of impairment the Fund considers credit risk characteristics such as asset type, industry, geographic location, collateral type, past due status and other relevant factors.

#### **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.

#### **Loans and receivables/payables**

Loans and receivables/payables are non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market. This category includes short term receivables/payables.

#### **Payables**

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

#### **Revenue**

Interest income is recognised using the effective interest method when interest is received/receivable. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate. All revenue is stated net of the amount of GST.

#### **Income Tax**

Under current income tax legislation the Fund is not liable to Australian income tax provided the unitholders are presently entitled to the taxable income of the Fund and the Fund generally distributes its taxable income.

#### **GST**

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

**Notes to the Financial Statements**

**For the Year Ended 30 June 2015**

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.

**Unit prices**

Unit prices are determined in accordance with the Fund's Constitution and Product Disclosure Statement and are calculated as net assets attributable to unitholders of the Fund, less estimated costs, divided by the number of units on issue.

**New Accounting Standards and Interpretations**

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

### **Directors' Declaration**

In the opinion of the Directors of BlackWall Fund Services Limited, the Responsible Entity of BlackWall Penrith Fund No. 3:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2015 and of its performance for the period ended on that date; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

The Statement of Significant Accounting Policies confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



**Stuart Brown**  
Director  
Sydney, 8 September 2015



## INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS OF BLACKWALL PENRITH FUND NO.3

*Report on the Financial Report*

We have audited the accompanying financial report of Blackwall Penrith Fund No.3 ("the Fund"), which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of changes in net assets attributable to unitholders and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' Responsibility for the Financial Report*

The directors of Blackwall Fund Services Limited ("the Responsible Entity") are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 17, 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 Fund'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 Fund'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 Blackwall Fund Services Limited, would be in the same terms if given to the directors as at the time of this auditor's report.





INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS OF BLACKWALL PENRITH FUND NO.3

*Opinion*

In our opinion:

- a) the financial report of Blackwall Penrith Fund No.3 is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of its financial position for the year ended 30 June 2015 and of its performance for the year ended on that date;
  - 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 17.

Dated at Sydney the 8<sup>th</sup> day of September 2015.

ESV Accounting and Business Advisors

Tim Valtwies  
Partner

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## **GLOSSARY**

ASX	Australian Securities Exchange
BlackWall	BlackWall Property Funds Limited and, where applicable, its subsidiaries (including BlackWall Fund Services Limited)
Fund	BlackWall Penrith Fund No. 3
GST	Goods and services tax
IFRS	International Financial Reporting Standards
KMP	Key management personnel
PIPES	Property Income Participating Equity Securities
p.a.	Per annum
Property	120 Mulgoa Road, Penrith
Responsible Entity	BlackWall Fund Services Limited



# BlackWall Penrith Fund No.3

ARSN 165 156 945

Annual Financial Statements  
Year Ended 30 June 2015

Managed By:



**BLACKWALL**  
PROPERTY FUNDS

Level 1, 50 Yeo Street  
Neutral Bay, NSW 2089

Responsible Entity: BlackWall Fund Services Limited  
ABN 39 079 608 825