

BBRC DIVERSIFIED RETAIL FUND
ABN 45 134 531 890

AUDITED FINANCIAL STATEMENTS
For the period ended 30 June 2015

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Trustee's report

The Trustee presents its report on the Trust for the period ended 30 June 2015.

TRUSTEE

The Trustee in office at any time during or since the end of the period is Diversified Homemaker Pty Limited.

PRINCIPAL ACTIVITIES

The Trust is an open-ended unlisted Trust which was established to invest in homemaker centres. 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 period ended 30 June 2015 was \$3,426,408.

REVIEW OF OPERATIONS

The profit of the Trust for the period ended 30 June 2015 (pre distribution to unitholders) amounted to \$2,559,952.

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

There have been no other significant changes to the state of affairs of the Trust during the period.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Subsequent to period end, on 31 August 2015 the legacy investors elected for the Trust to be included as part of Aventus Retail Property Fund which is intended for Initial Public Offering (IPO). The IPO is expected to be completed by 14 October 2015, subject to successful capital raisings and regulatory approvals. There are no other matters or circumstances that 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.

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.

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

Diversified Homemaker Pty Limited

in its capacity as Trustee of the BBRC Diversified Retail Fund

Dated: 30 September 2015

Statement of profit or loss and other comprehensive income

For the period ended 30 June 2015

	Notes	Period from 18 August 2014 to 30 June 2015 \$
Rent received		7,485,564
Recoverable expenses		791,513
Interest income		108,351
Other income		153,846
Total income		8,539,274
Administration expenses		(452,350)
Direct property expenses		(1,318,291)
Finance costs		(2,062,406)
Management fees		(975,571)
Total expenses	2	(4,808,618)
Fair value loss on MTM swaps		(1,144,193)
Fair value adjustment - investment properties		(26,511)
Net profit for the period		2,559,952
Other comprehensive income		-
Total comprehensive profit for the period		2,559,952

The accompanying notes form part of these financial statements.

Statement of financial position

As at 30 June 2015

	Notes	2015 \$
Assets		
Current assets		
Cash and cash equivalents	3	2,925,218
Trade and other receivables	4	146,155
Rental guarantee		824,000
Total current assets		3,895,373
Non-current assets		
Investment properties	5	120,226,000
Total non-current assets		120,226,000
Total assets		124,121,373
Liabilities		
Current liabilities		
Trade and other payables	6	2,179,847
Total current liabilities		2,179,847
Non-current liabilities		
Interest-bearing liabilities	7	67,734,545
Mark-to-market swaps		1,144,193
Total non-current liabilities		68,878,738
Total liabilities		71,058,585
Net assets		53,062,788
Net assets attributable to unitholders		
Units in issue	8	53,929,244
Retained earnings		(866,456)
Total equity		53,062,788

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the period ended 30 June 2015

	Unitholders funds
	\$
Balance at 18 August 2014	-
Comprehensive income	
Profit attributable to unitholders	2,559,952
Other comprehensive income for the period	-
Total comprehensive income for the period attributable to unitholders	2,559,952
Transactions with unitholders	
Application for units	54,000,000
Fund establishment costs	(70,756)
Distributions to unitholders	(3,426,408)
Total transactions with unitholders	50,502,836
Balance at 30 June 2015	53,062,788

The accompanying notes form part of these financial statements.

Statement of cash flows

For the period ended 30 June 2015

		Period from 18 August 2014 to 30 June 2015
Notes		\$
Cash flows from operating activities		
Proceeds from customers		7,460,768
Payments to suppliers and employees		(1,579,952)
Interest received		108,351
Interest paid		(1,401,492)
Net cash flows from operating activities	10	<u>4,587,675</u>
Cash flows from investing activities		
Payments for investment properties		(120,252,511)
Net cash flows used in investing activities		<u>(120,252,511)</u>
Cash flows from financing activities		
Proceeds from unitholders		54,000,000
Fund establishment costs		(70,756)
Proceeds from borrowings		67,682,218
Distributions paid		(3,021,408)
Net cash flows from financing activities		<u>118,590,054</u>
Net increase in cash held		2,925,218
Cash at the beginning of the period		-
Cash at the end of the period	3	<u><u>2,925,218</u></u>

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the period ended 30 June 2015

1 Statement of significant accounting policies

BBRC Diversified Retail Fund is a Trust established and domiciled in Australia.

The Trust was constituted on 18 August 2014. The financial statements cover the period from 18 August 2014 to 30 June 2015.

Basis of preparation

The trustee has 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 trustee has determined is 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

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 September 2015 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.

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.

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 profit or loss and other comprehensive income in the year in which they arise.

Notes to the financial statements (continued)

For the period ended 30 June 2015

1 Statement of significant accounting policies (continued)

(a) Investment properties (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 profit or loss and other 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.

(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.

Lease incentives provided by the Trust to lessees are included in the carrying value of investment property. These amounts are amortised over the lease periods within rental income.

Interest income is recognised in the statement of profit or loss and other comprehensive income 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.

Notes to the financial statements (continued)

For the period ended 30 June 2015

1 Statement of significant accounting policies (continued)

(e) Financial instruments

Derivative financial instruments such as interest rate swaps are designated as financial instruments at fair value through profit and loss. The entity does not designate any financial instruments as hedges in a hedging relationship.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

(f) Borrowings

Borrowings are recognised initially at fair value less any attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis. Borrowings are classified as current liabilities unless the entity has an unconditional right to defer settlement of the liability to at least 12 months after the balance sheet date.

Borrowing costs are recognised as expenses using the effective interest rate method unless incurred for the construction of a qualifying asset where during the time of construction the borrowing costs are capitalised.

(g) 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.

(h) 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.

(i) Critical accounting estimates and judgements

The trustee evaluates 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 trustee believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of investment property.

Notes to the financial statements (continued)

For the period ended 30 June 2015

1 Statement of significant accounting policies (continued)

(j) 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.

(k) 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.

Notes to the financial statements (continued)

For the period ended 30 June 2015

2 Expenses

Period from 18
August 2014 to
30 June 2015

	\$
Direct property expenses	1,318,291
Administration expenses	452,350
Finance costs:	
Interest expense	2,010,079
Amortisation of borrowing costs	52,327
	<u>2,062,406</u>
Management fees	<u>975,571</u>
Total expenses	<u>4,808,618</u>

3 Cash and cash equivalents

2015

	\$
Cash at bank	<u><u>2,925,218</u></u>

4 Trade and other receivables

2015

	\$
Trade debtors	4,168
Prepayments	124,099
Other debtors	17,888
	<u><u>146,155</u></u>

5 Investment properties

2015

	\$
Movements during the period	
Opening balance	-
Additions	120,252,511
Fair value adjustment - investment property	(26,511)
Closing balance	<u><u>120,226,000</u></u>

Notes to the financial statements (continued)

For the period ended 30 June 2015

6 Trade and other payables

	2015
	\$
Accruals and deferred income	1,424,886
Other payables	349,961
Distributions payable	405,000
	<u>2,179,847</u>

7 Interest-bearing liabilities

	2015
	\$
Non-current	
Commercial Bills - Secured	<u>67,734,545</u>

The commercial bills have a fixed interest rate of 2.925% with a maturity date of 17 October 2017.

They are secured by a first registered mortgage with the properties at Wendouree 2, the real property mortgage over the property located at 321 Gillies Street, Wendouree, Victoria between The Trust Company (Australia) Limited (TeAL) as custodian of the Trust, the Trustee and BOQ (Wendouree No.2 Mortgage) together with any supplemental deed to that mortgage, Warners Bay Homemaker Centre (240-260 Hillsborough Road, Warners Bay, NSW), Highlands Hub (205 Old Hume Highway), Mittagong NSW, Tweed Hub (112-140 Minjungbal Drive, Tweed Heads, NSW) and Wendouree Homemaker Centre (333 and 333a Gillie Street North, Wendouree, Victoria) and have additional general security over all present and after acquired property.

8 Units in issue

	2015	2015
	No.	\$
Units on issue at 1 July	-	-
Applications	54,000,000	54,000,000
Fund establishment cost		(70,756)
Units on issue at 30 June	<u>54,000,000</u>	<u>53,929,244</u>

9 Events after the reporting date

Subsequent to period end, on 31 August 2015 the legacy investors elected for the Trust to be included as part of Aventus Retail Property Fund which is intended for Initial Public Offering (IPO). The IPO is expected to be completed by 14 October 2015, subject to successful capital raisings and regulatory approvals. There are no other matters or circumstances that 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.

Notes to the financial statements (continued)

For the period ended 30 June 2015

10 Cash flow information

	Period from 18 August 2014 to 30 June 2015
	<u>\$</u>
Reconciliation of cash flow operating profit or loss for the period	
Profit attributable to unitholders	2,559,952
Non-cash flows items included in profit or loss:	
- Fair value adjustment - investment property	26,511
- Amortisation of borrowing costs classified as financing activities	52,327
- Net fair value change on derivatives	1,144,193
Change in assets and liabilities:	
- Increase in trade and other receivables	(146,155)
- Increase in rental guarantee	(824,000)
- Increase in trade and other payables	1,774,847
	<u>4,587,675</u>

11 Trust details

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

Trustee's declaration

The directors of Diversified Homemaker Pty Limited, the trustee company of BBRC Diversified Retail Fund, state that:

In the opinion of the directors:

- (a) the Trust is not a reporting entity as defined in the Australian Accounting Standards;
- (b) the financial statements and notes of the Trust:
 - (i) present fairly the Trust's financial position as at 30 June 2015 and of its performance for the period ended on that date; and
 - (ii) comply with Australian Accounting Standards to the extent described in Note 1 to the financial statements;
- (c) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

On behalf of the Trustee



Darren Holland
Director
Diversified Homemaker Pty Limited
in its capacity as Trustee of the BBRC Diversified Retail Fund

Dated: 30 September 2015



Building a better
working world

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Independent auditor's report to the unitholders of BBRC Diversified Retail Fund

We have audited the accompanying special purpose financial report of BBRC Diversified Retail Fund (the "Trust"), which comprises the statement of financial position as at 30 June 2015, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, a summary of significant accounting policies and other explanatory information, and the trustee's declaration.

Directors' responsibility for the Financial Report

The directors of Diversified Homemaker Pty Limited (the "Trustee") are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Trust constitution and is appropriate to meet the needs of the unitholders. The directors are also responsible for such controls as they determine are 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgment, 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 controls 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 controls. 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 Australian professional accounting bodies.

Opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of the consolidated Trust as of 30 June 2015 and its financial performance and its cash flows for the period then ended in accordance with the accounting policies described in Note 1 to the financial statements.

Basis of accounting and Restriction of Distribution

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 the Trust to meet the requirements of the Trust Constitution. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Trustee and unitholders of the Trust and should not be distributed to parties other than the unitholders of the Trust and its Trustee.

Ernst & Young

Ernst & Young
Sydney
30 September 2015