

PENNINGTON CLIFFS PROPERTY TRUST

ABN 49 869 805 893

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2022

PENNINGTON CLIFFS PROPERTY TRUST

TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2022

The Directors of the Trustee, Vasco Custodians Pty Ltd present their report on the Pennington Cliffs Property Trust ('the Fund') for the year ended 30 June 2022.

1. Directors

The names of Directors of the Trustee in office at any time during the financial year were:

Craig Matthew Dunstan

Fiona Jean Dunstan

2. Principal Activities

The Fund will provide investors the opportunity to invest in what is expected to be one of the world's best destination golf locations and to enjoy the returns that comes with the ownership of such a quality asset.

The Fund is an unlisted unregistered managed investment scheme structured as a unit trust and established and governed by the Trust Deed which regulates the relationship between the Trustee and Investors.

3. Operating Results

The operating loss of the Fund for the financial year ending 30 June 2022 was \$414,696 (2021: loss \$243,011).

4. Review of Operations

During the period since inception the Fund has issued 7,761,204 units. During the financial year one unit at a value of \$4,761,204 was converted to 4,761,204 \$1 units. A further 3,000,000 units were issued during the year.

The KIL Unit Trust (Trust) was established on 31 July 2016 pursuant to a unit trust deed (Trust Deed). The Trust Deed was replaced with a new constitution on 30 April 2021 and the name of the Fund was changed to Pennington Cliffs Property Trust. At this time, Kangaroo Island Links Pty Ltd (Outgoing Trustee) retired as trustee of the Trust and was replaced by Vasco Custodians Pty Ltd (Trustee).

Pennington Cliffs Management Pty Ltd was appointed as Investment Manager of the Fund on 3 May 2021.

On 5 May 2021, the Fund acquired the issued capital of Kangaroo Island Links Pty Ltd (the previous Trustee of the Fund) for \$2.

On 25 May 2022, the Fund acquired the issued capital of Pennington Cliffs Holdings Pty Ltd for \$100. Pennington Cliffs Holdings Pty Ltd was the sole unitholder of PCPT Unit Trust 1-4.

During the financial year, the Fund acquired the following properties directly:

Acquisition date	Address	Book value as at 30 June 2022
23 December 2021	22 Hogs Bay Road, Pelican Lagoon, Kangaroo Island, SA, 5222	\$919,255

PENNINGTON CLIFFS PROPERTY TRUST

TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2022

4. Review of Operations (continued)

During the financial year, the special purpose vehicles indirectly owned by the Fund via Pennington Cliffs Holdings Pty Ltd acquired the following properties ('Seafront assets'):

Entity	Acquisition date	Address	Book value as at 30 June 2022
PCPT Unit Trust 1	29 June 2022	70-78 Bayview Road, American River, Kangaroo Island, SA, 5221	\$765,998
PCPT Unit Trust 2	29 June 2022	11 Thomas Wilson Street, Penneshaw, Kangaroo Island, SA, 5222	\$2,070,028
PCPT Unit Trust 3	29 June 2022	8 Frenchmans Terrace, Penneshaw, Kangaroo Island, SA, 5222	\$1,915,752
PCPT Unit Trust 4	29 June 2022	49 North Terrace, Penneshaw, Kangaroo Island, SA, 5222	\$3,211,951

In addition, as at 30 June 2022, there was a goodwill amount of \$1,924,071 recorded in the Pennington Cliffs Holdings Pty Ltd accounts in regards to the two operating companies of the above properties.

As at 30 June 2022, the Fund had an interest-bearing loan of \$4,000,000 from AF & AM Nominees Pty Ltd and an interest-bearing loan of \$5,850,000 from Commonwealth Bank of Australia.

The AF & AM Loan has an interest of 5% per annum and the term of the loan is 2 years from November 2021. Upon the repayment date, there is an option to extend the loan for further 12 months.

The CBA Debt Facility has an interest rate and maturity date defined by the Interest Rate Risk Management agreement ('IRRM agreement') between the Fund and Commonwealth Bank of Australia. The loan has an interest rate of BBSY plus a line fee of 2.30% per annum. The term of the loan is 3 years from June 2022.

5. Distributions Paid or Recommended

In accordance with the Information Memorandum of the Fund issued on 20 May 2021, distributions are generally paid to Investors within 30 days of the end of each distribution calculation period. However, Investors should note that distributions calculated as at the end of each financial year, being 30 June of each year, are likely to be paid by 30 September of each year, following the finalisation of the Fund's annual accounts.

No distributions were paid or recommended during the period.

6. Applications Held

As at 30 June 2022, the value of pending applications was nil.

7. Redemption Arrangements

As detailed in the Fund's Constitution the Trustee is not under any obligation to buy back, purchase or redeem units from unitholders. The Investment Manager will attempt to provide Investors with an opportunity to realise their investment through the completion of a withdrawal request form. Remaining existing investors will have first right to acquire the units and facilitate the withdrawal. Investors will have an opportunity to vote on whether to sell the Property and realise the proceeds in the 9th year prior to the commencement of a new lease renewal or where an unsolicited bid is received by the Investment Manager.

PENNINGTON CLIFFS PROPERTY TRUST

TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2022

8. Options

No options over issued units or interests in the Fund were granted during or since the end of the financial year and there were no options outstanding at the date of this report. The Directors and executives of the Trustee hold no options over interests in the Fund.

9. Proceedings on Behalf of the Fund

No person has applied to the court for leave to bring proceedings on behalf of the Fund, or to intervene in any proceedings to which the Fund is a party, for the purpose of taking responsibility on behalf of the Fund for all or any part of their proceedings.

10. Value of Scheme Assets

The gross asset value of the Fund at the end of the reporting period was \$18,019,132 (2021: \$8,523,111). The net asset value at the end of the reporting period was \$8,048,581 (2021: \$5,279,870).

11. 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 Fund during the financial year.

12. After Balance Date Events

No other matters or circumstances have arisen since the end of the financial year which 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.

13. Future Developments

There are no future developments to report on which are not otherwise disclosed in this report.

14. Indemnifying Officers or Auditor

During or since the end of the financial year, the Trustee has paid insurance premiums to insure each of the aforementioned Directors as well as officers of the Trustee against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of the Trustee, other than conduct involving a willful breach of duty in relation to the Trustee.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Trustee has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify an officer or auditor of the Trustee or of any related body corporate against a liability incurred as such an officer or auditor.

15. Units held by the Trustee, Investment Manager or Related Parties

As at 30 June 2022, the Investment Manager and its related parties held 2,278,729 units in the Fund.

PENNINGTON CLIFFS PROPERTY TRUST

TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2022

16. Fees, Commissions or Other Charges by the Trustee, Investment Manager or Related Parties

In accordance with the Information Memorandum of the Fund issued on 9 June 2022, the Trustee is entitled to the following:

- an annual fee of 0.1% per annum of the gross asset value of the Fund, subject to a minimum annual fee of \$25,000.

The Trustee of PCPT Unit Trust 1-4, DHF Investment Services Pty Ltd, is entitled to the following:

- an annual fee \$5,000 per annum per Trust.

DHF Investment Services Pty Ltd is a related party to the Trustee of the Fund.

The Administration Manager is entitled to:

- an annual fee of \$15,000 per annum provided there are less than 25 investors in the Fund and \$25,000 per annum where the number of Investors in the Fund is 25 or more.
- \$5,000 per annum to administer any additional unit classes or sub-funds if established.

The Investment Manager is entitled to:

- an annual fee of 0.5% per annum of the gross asset value of the Fund.
- a performance fee of: 20% of Fund realised returns in excess of 8% per annum calculated annually plus 1% of and asset sold or disposed of by the Fund plus 1% of any asset acquired by the Fund plus a marketing fee of 5% of new investments.

17. Interests in the Fund

The movement of units on issue in the Fund during the year is set out in Note 12 to the financial statements.

The value of the Fund's assets and liabilities are disclosed on the Statement of Financial Position and derived using the basis set out in Note 1 to the financial statements.

18. Rounding of Amounts

The Fund is of a kind referred to in the *Australian Securities and Investments Commission's Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191*. Consequently, amounts in the financial statements have been rounded to the nearest dollar in accordance with that legislative instrument, or in certain cases, the nearest thousand dollars.

19. Environmental Issues

The operations of the Fund are not subject to any particular or significant environmental regulations under a law of the Commonwealth or of a State or Territory in Australia.

Signed in accordance with a resolution of the Board of Directors of Vasco Custodians Pty Ltd by:



Craig Dunstan

Director

Date: 17 May 2023

PENNINGTON CLIFFS PROPERTY TRUST

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022**

	Notes	2022 \$	2021 \$
Revenue and other income			
Bank interest	2	156	-
Total revenue and other income		156	-
Expenses			
Investment manager fees	3	52,592	6,870
Trustee and administration fees	4	43,587	8,066
Other expenses	5	55,629	3,093
Establishment costs		95,470	-
Interest expense		167,574	224,982
Total expenses		414,852	243,011
Net profit (loss) attributed to unitholders		(414,696)	(243,011)
Other comprehensive income			
Fair value profit or (loss) on investments	12(b)	(39,339)	3,839,502
Total other comprehensive income		(39,339)	3,839,502
Distribution expense		-	-
Total comprehensive (loss)/income for the year attributable to unitholders net of distributions		(454,035)	3,596,491

The accompanying notes form part of these financial statements

PENNINGTON CLIFFS PROPERTY TRUST

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

	Notes	2022 \$	2021 \$
Current assets			
Cash and cash equivalents	7	441,060	-
Sundry debtor	8	95,734	4,445
Prepaid interest		300,000	-
GST input credit		107,691	-
Total current assets		944,485	4,445
Non-current assets			
Golf course land at fair value	9	6,389,280	6,389,280
Golf course land development	9	2,110,720	2,110,720
Kangaroo Island Links Pty Ltd – shareholding	9	2	2
Hog’s Bay land held for development	9	919,255	-
Pennington Cliffs Holdings Pty Ltd – shareholding	9	6,796,136	-
Acquisition costs		183,795	18,644
Project costs		312,918	-
Financing costs		41,159	-
Establishment costs	6	401,727	-
Amortisation: establishment costs	6	(80,345)	-
Total non-current assets		17,074,647	8,518,666
Total assets		18,019,132	8,523,111
Liabilities			
Trade creditors		42,610	20,529
Loans	10	9,850,000	2,977,925
Sundry creditors	11	77,941	244,787
Total liabilities		9,970,551	3,243,241
Net assets		8,048,581	5,279,870
Represented by:			
Issued units	12 (a)	4,930,998	1,708,252
Undistributed profit/(loss) attributable to unitholders	12 (b)	3,117,583	3,517,618
Net assets attributable to unitholders		8,048,581	5,279,870

The accompanying notes form part of these financial statements

PENNINGTON CLIFFS PROPERTY TRUST

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022**

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the start or the end of the financial year.

PENNINGTON CLIFFS PROPERTY TRUST

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022**

	Notes	2022	2021
		\$	\$
Cash flows from operating activities			
Payments to suppliers		(153,610)	(376)
Bank interest		156	-
Bank charge		(22)	-
		(153,476)	(376)
Cash flows from investing activities			
Payment for investment assets		(965,024)	-
		(964,924)	-
Cash flows from financing activities			
Proceeds from the issue of units		2,000,000	-
Loans to related parties	8	(72,519)	-
Loan repayments		(143,652)	-
Interest repayments		(224,269)	-
		1,559,560	-
Net increase/ (decrease) in cash and cash equivalents		441,060	(376)
Cash and cash equivalents at the beginning of year		-	376
		441,060	-
Cash and cash equivalents at the end of year	7	441,060	-

The accompanying notes form part of these financial statements

PENNINGTON CLIFFS PROPERTY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial report is for the Pennington Cliffs Property Trust ('the Fund'). The Fund is an unregistered managed investment scheme established and domiciled in Australia. The Trustee of the Fund is Vasco Custodians Pty Ltd, and Pennington Cliffs Management Pty Ltd is appointed as the Investment Manager of the Fund.

Basis of Preparation

(a) Statement of compliance

The Fund has elected to adopt the Australian Accounting Standards – Reduced Disclosure Requirements (established by AASB 1053 *Application of Tiers of Australian Accounting Standards*).

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001*. Pennington Cliffs Property Trust is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were approved by the Board of Directors of the Trustee.

(b) Basis of measurement

The financial report is prepared on the historical cost basis except for the following material items in the Statement of Financial Position:

Investment assets are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Fund's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires the Directors of the Trustee to undertake a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(i) Fair value estimation

Investment properties are carried at values that are based on assumptions and estimates. If any of these assumptions or estimates were not correct this could have a material impact on the carrying amounts in the statement of financial position.

PENNINGTON CLIFFS PROPERTY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies

(a) Financial instruments

Financial assets and financial liabilities are recognised on the Fund's Statement of Financial Position when the Fund becomes a party to the contractual provisions of the instrument.

(i) Measurement

Financial assets and financial liabilities are held at fair value through profit or loss.

Under this approach, financial assets and financial liabilities are generally measured initially at fair value excluding any transaction costs that are directly attributable to acquisition.

Subsequent to initial recognition, all financial instruments are measured at fair value with changes in their fair value recognized in the statement of comprehensive income.

Fair value in an active market

The fair value of financial assets and liabilities traded in active markets are based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices on the reporting date, while financial liabilities are priced at current offer prices.

Fair value in an inactive or unquoted market

The fair values of financial assets and liabilities that are not traded in an active market are determined through the valuation policy identified in the Information Memorandum for the Fund.

(ii) Categorisation

The Fund's investments are categorised as follows:

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Fund are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted for specific financial liabilities and equity instruments are set out below:

Issued units

The Fund issues units which have a limited life under the Fund's Constitution and are classified as a liability in accordance with *AASB 132 Financial Instruments: Presentation*.

Where the Fund buys back any of its units from unitholders, the consideration paid, including any directly attributable incremental costs are recognised as a reduction in liability attributable to the Fund's unitholders.

PENNINGTON CLIFFS PROPERTY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Goods and services tax (GST)

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

(c) Income tax

Under current legislation, the Fund is not liable for income tax provided its taxable income is fully distributed to unitholders.

(d) Critical judgements and significant accounting estimates

The preparation of financial statements requires the Directors of the Trustee to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(e) New accounting standards and interpretations

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2021 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2022, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

PENNINGTON CLIFFS PROPERTY TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 2: REVENUE

Bank interest

	2022	2021
	\$	\$
Bank interest	156	-
	<u>156</u>	<u>-</u>

NOTE 3: INVESTMENT MANAGER FEES

	2022	2021
	\$	\$
Investment manager fees	52,592	6,870
	<u>52,592</u>	<u>6,870</u>

The Investment Manager is entitled to:

- An annual fee of 0.5% per annum of the gross asset value of the Fund.
- A performance fee of 20% of Fund realised returns in excess of 8% per annum calculated annually plus 25% of sale proceeds received above a completed asset value of \$21.7million.

NOTE 4: TRUSTEE AND ADMINISTRATION FEES

	\$	\$
Trustee fees	25,000	4,236
Administration fees	18,587	3,830
	<u>43,587</u>	<u>8,066</u>

In accordance with the Information Memorandum of the Fund issued on 20 May 2021, the Trustee is entitled to the following:

- an annual fee of 0.1% per annum of the gross asset value of the Fund, subject to a minimum annual fee of \$25,000.

The Trustee of PCPT Unit Trust 1-4, DHF Investment Services Pty Ltd, is entitled to the following:

- an annual fee \$5,000 per annum per Trust.

DHF Investment Services Pty Ltd is a related party to the Trustee of the Fund.

The Administration Manager is entitled to:

- an annual fee of \$15,000 per annum provided there are less than 25 investors in the Fund and \$25,000 per annum where the number of Investors in the Fund is 25 or more.
- \$5,000 per annum to administer any additional unit classes if established.

PENNINGTON CLIFFS PROPERTY TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 5: OTHER EXPENSES

	2022	2021
Property expenses	\$	\$
Legal fees	40,940	-
Council rates	7,847	-
Sub-total	48,787	-
Other fund expenses	2022	2021
	\$	\$
Tax return fees	2,850	2,800
Bank fees	-	159
Other administration expenses	850	134
Regulatory fees	3,120	-
Withholding tax	22	-
Sub-total	6,842	3,093
Grand total	55,629	3,093

NOTE 6: ESTABLISHMENT COSTS

	2022	2021
	\$	\$
Establishment costs	401,727	-
Amortisation: establishment costs	(80,345)	-
	321,382	-

The establishment costs were associated with consulting fees incurred for the establishment of the Pennington Cliffs Property Trust and the special purpose vehicles.

NOTE 7: CASH AND CASH EQUIVALENTS

	2022	2021
	\$	\$
Cash on hand	441,060	-
	441,060	-

PENNINGTON CLIFFS PROPERTY TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 8: SUNDRY DEBTOR

	2022	2021
	\$	\$
Loan to unitholder	376	376
Input tax credit re 2020	431	431
GST benefit refundable by ATO	3,638	3,638
Reimbursement receivable	18,770	-
Loans to related parties	72,519	-
	95,734	4,445

The loans to related parties were made to the PCPT Unit Trust 1-4 to cover the liquidity needs of on-going fund operating costs and property related costs. The loans were expected to be repaid once the lease income received from the Seafront assets in 2023.

NOTE 9: INVESTMENTS

Investment held

As at 30 June 2022 the Fund's investments comprised of:

	2022	2021
	\$	\$
Golf course land at fair value		
Freehold land at cost	1,543,169	1,543,169
Unrealised gain on freehold land at fair value	4,846,111	4,846,111
	6,389,280	6,389,280
Golf course land development		
Development and statutory holding costs	275,625	275,625
Interest and finance charges	325,095	325,095
Applications, approvals and regulatory costs	1,380,000	1,380,000
Consulting fees	130,000	130,000
	2,110,720	2,110,720
Kangaroo Island Links P/L - shareholding		
Shares of Kangaroo Island Links P/L at cost	2	2
	2	2
Hog's Bay land held for development		
Freehold land at cost	850,000	-
Settlement costs	69,255	-
	919,255	-

PENNINGTON CLIFFS PROPERTY TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 9: INVESTMENTS (continued)

Pennington Cliffs Holdings Pty Ltd - shareholding

Shares of Pennington Cliffs Holdings P/L at cost	100	-
Loan to Pennington Cliffs Holdings P/L	6,835,375	
Revaluation of shares	(39,339)	-
	<u>6,796,136</u>	<u>-</u>

NOTE 10: LOANS

	2022	2021
	\$	\$
AF&AM Loan	4,000,000	-
CBA Debt Facility	5,850,000	-
Loan - The Cliffs Kangaroo Island Pty Ltd (Convertible Notes)	-	174,471
Loan - Finance Dom	-	1,796,845
Loan - Unitholders	-	1,006,609
	<u>9,850,000</u>	<u>2,977,925</u>

NOTE 11: SUNDRY CREDITORS

	2022	2021
	\$	\$
Tax return fees	2,850	3,080
Investment management fees	20,311	7,557
Trustee fees	-	4,660
Administration fees	-	4,213
Acquisition of Kangaroo Island Links Pty Ltd	-	2
Bank fees	-	159
Administration expenses	650	134
Interest payable	-	224,982
Regulatory fees	680	-
Project management fees	50,000	-
Other accrued expense	3,450	-
	<u>77,941</u>	<u>244,787</u>

PENNINGTON CLIFFS PROPERTY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 12: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(a) Issued units

	2022 Units	2022 \$	2021 Units	2021 \$
Opening balance	100	1,708,252	100	1,708,252
Additional units (conversion)	4,761,104	222,746	-	-
Units issued – applications	3,000,000	3,000,000	-	-
Closing balance	7,761,204	4,930,998	100	1,708,252

As stipulated in the Fund's Constitution, each unit represents a right to an individual unit in the Fund and does not extend to a right to the underlying assets of the Fund.

(b) Undistributed profit/(loss) attributable to unitholders

	2022 \$	2021 \$
Opening balance	3,571,618	(24,873)
Unrealised fair value profit/(loss) on investment	(39,339)	3,839,502
Net operating profit/ (loss) attributable to unitholders	(414,696)	(243,011)
Closing balance	3,117,583	3,571,618

(c) Capital management

The Fund aims to invest to meet the Fund's investment objectives while maintaining sufficient liquidity to meet its commitments, including unitholder redemptions. The Investment Manager regularly reviews the performance of the Fund, including asset allocation strategies, investment, and risk management.

NOTE 13: RELATED PARTY TRANSACTIONS

The Fund's related parties include those described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

(a) Trustee

The Trustee of the Pennington Cliffs Property Trust is Vasco Custodians Pty Ltd.

Fees of \$25,000 (plus GST) (2021: \$4,236) were accrued and paid by the Fund to Vasco Custodians Pty Ltd for its role as Trustee for the period.

(b) Investment Manager

The Investment Manager of the Pennington Cliffs Property Trust is Pennington Cliffs Management Pty Ltd.

Fees of \$52,592 (plus GST) (2021: \$6,870) were accrued by the Fund to Pennington Cliffs Management Pty Ltd for its role as Investment Manager for the period.

PENNINGTON CLIFFS PROPERTY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 13: RELATED PARTY TRANSACTIONS (continued)

(c) Administration Manager

The Administration Manager of the Pennington Cliffs Property Trust is Vasco Fund Services Pty Limited.

Administration fees of \$18,587 (plus GST) (2021: \$3,830) were accrued and paid by the Fund to Vasco Fund Services Pty Limited for its role as Administration Manager of the Fund.

Vasco Fund Services Pty Limited is a related party of the Trustee.

(d) Other Transactions

- Loans to related parties

The Fund had related party loans with the underlying Trusts (PCPT Unit Trust 1-4) which jointly own the Seafront assets with a third party. The total loan balance as at 30 June 2022 was \$72,519. The loans were expected to be repaid from the lease income from the operating assets. The Trustee of the underlying Trusts is a related party to the Trustee of the Fund.

- Payments to related parties of Investment Manager

During the financial year, the Fund had paid \$245,861 (plus GST) to Norman Waterhouse Lawyers Pty Ltd that provided legal services in regards to the acquisition of properties and construction contracts of Golf Course. Norman Waterhouse Lawyers Pty Ltd is a related party of the Investment Manager.

The Fund had also paid \$250,000 (plus GST) to Kangaroo Island Golf Co Pty Ltd which acted as the Project Manager of the Golf Course construction and related projects at a fixed cost of \$900,000 over 18 months since June 2022. Kangaroo Island Golf Co Pty Ltd is a related party of Investment Manager.

(e) Key management personnel

The Fund does not employ personnel in its own right. However, it has an incorporated Trustee, Vasco Custodians Pty Ltd, and an Investment Manager, Pennington Cliffs Management Pty Ltd, to manage the activities of the Fund. The Directors of the Trustee and Investment Manager are key management personnel of those corporate entities. No compensation is paid directly by the Fund to Directors or to any of the key management personnel of the Trustee or Investment Manager. Payments made by the Fund to the Trustee and Investment Manager do not specifically include any amounts attributable to the compensation of key management personnel.

NOTE 14: CONTINGENT LIABILITIES

There are no contingent liabilities at the end of the period.

NOTE 15: EVENTS SUBSEQUENT TO REPORTING DATE

As at the date of this report, there have been no other events subsequent to the reporting date that require additional disclosure.

PENNINGTON CLIFFS PROPERTY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 16: FINANCIAL RISK MANAGEMENT

(a) Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's investments are not considered to be assets that are readily realisable.

In order to address this risk, the Trustee retains broad discretion to restrict distributions, withdrawals and/or redemptions.

(b) Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Fund. The Fund is exposed to this risk for various financial instruments, for example, placing money at financial institutions or interest revenue that is paid in arrears. The Fund's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date.

The Trustee manages the exposure to credit risk on an ongoing basis. The Fund's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

(c) Market Risk

The Fund is exposed to market risk through its use of financial instruments and specifically to interest rate risk and property value risk, which results from both its operating and investing activities. Market risk is the risk that changes in market prices which will affect the Fund's income. Market risk embodies the potential for both loss and gains. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk is monitored by the Trustee.

(d) Interest Rate Risk

The Fund's interest rate risk is monitored by the Trustee.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The Fund had the following interest-bearing loans as at 30 June 2022:

- Loan of \$4,000,000 from AF & AM Nominees Pty Ltd
- Loan of \$5,850,000 from Commonwealth Bank of Australia

(e) Development and Construction Risk

The Fund is investing in property development projects which are subject to risks which can affect the returns available to Investors. These risks may include the inability to obtain appropriate or sufficient government planning approval to undertake a successful development of a property; the risk of costs overruns and costs to complete any construction work may be more than forecast and additional capital or finance may need to be sourced.

Additional risks may cover areas such as the completion of buildings under contract could be delayed due to the fault of the developer or other unforeseen events; the development and construction can be subject to external influence over which the Fund has little or no control. There are also risks associated with the potential deterioration of material, labour and general market conditions.

PENNINGTON CLIFFS PROPERTY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 16: FINANCIAL RISK MANAGEMENT (continued)

(f) Borrowing Risk

Collectively, the Special Purpose Vehicles (SPVs) that the Fund may invest in, may combine money with borrowed money in the Fund and invest the combined amount in a property. This process, known as gearing, magnifies the effect of gains and losses on the investment and is potentially considered more risky than similar investments that are not geared.

If property values fall significantly the SPVs invested in may be unable to meet its loan covenants which may result in the sale of SPV assets.

In addition to the property risks outlined above, changes to interest rates or lender credit margins impact borrowing costs of SPVs invested in and ultimately impact the level of income you receive.

There is also a risk that the SPVs invested may not be able to refinance its borrowings when borrowing facilities mature. If this occurs, the Fund may lose value from the SPVs selling assets in poor market conditions in order to repay the borrowed amount.

NOTE 17: TRUSTEE DETAILS

The registered office and the principal place of business of the Trustee are:

Vasco Custodians Pty Ltd

Level 4

99 William Street

Melbourne Victoria 3000

PENNINGTON CLIFFS PROPERTY TRUST

DIRECTORS' DECLARATION

In the opinion of the Directors of Vasco Custodians Pty Ltd:

- (a) The financial statements and notes of Pennington Cliffs Property Trust are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of its financial position as at 30 June 2022 and its performance for this financial year ended on that date; and
 - (ii) Complying with Australian Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that Pennington Cliffs Property Trust will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Craig Dunstan

Craig Dunstan

Director

17 May 2023