

**PENNINGTON CLIFFS PROPERTY TRUST**

ABN 49 869 805 893

FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2023

# PENNINGTON CLIFFS PROPERTY TRUST

## TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2023

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 2023.

### 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 provides 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 comprehensive loss of the Fund attributable to unitholders for the financial year ending 30 June 2023 was \$411,019 (2022: loss \$454,035).

### 4. Review of Operations

Since inception the Fund has issued 8,256,254 units. During the financial year, 495,050 units were issued.

During the 2023 financial year, the special purpose vehicles indirectly owned by the Fund via Pennington Cliffs Holdings Pty Ltd held the following properties ('Seafront assets'). The value as at the end of financial year 2023:

Entity	Acquisition date	Address	Book value as at 30 June 2023
PCPT Unit Trust 1	29 June 2022	70-78 Bayview Road, American River, Kangaroo Island, SA, 5221	\$750,000
PCPT Unit Trust 2	29 June 2022	11 Thomas Wilson Street, Penneshaw, Kangaroo Island, SA, 5222	\$2,477,555
PCPT Unit Trust 3	29 June 2022	8 Frenchmans Terrace, Penneshaw, Kangaroo Island, SA, 5222	\$2,083,929
PCPT Unit Trust 4	29 June 2022	49 North Terrace, Penneshaw, Kangaroo Island, SA, 5222	\$3,477,848

In addition, as at 30 June 2023, there was a goodwill amount of \$2,152,361 (2022: \$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 2023, the Fund had an interest-bearing loan of \$4,000,000 from AF & AM Nominees Pty Ltd and an interest-bearing loan of \$5,705,000 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.

# PENNINGTON CLIFFS PROPERTY TRUST

## TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2023

### 4. Review of Operations (continued)

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 24 May 2022.

### 5. Distributions Paid or Recommended

In accordance with the Information Memorandum of the Fund issued on 9 June 2022 and 14 November 2023, 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 year (2022: nil).

### 6. Applications Held

As at 30 June 2023, 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 9<sup>th</sup> year prior to the commencement of a new lease renewal or where an unsolicited bid is received by the Investment Manager.

### 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 financial year was \$18,572,243 (2022: \$18,019,132). The net asset value at the end of the financial year was \$8,137,562 (2022: \$8,048,581).

### 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.

# PENNINGTON CLIFFS PROPERTY TRUST

## TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2023

### 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

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 2023, the Investment Manager and its related parties held 2,228,729 (2022: 2,278,729) units in the Fund.

### 16. Interests in the Fund

The movement of units on issue in the Fund during the year is set out in Note 13 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.

# PENNINGTON CLIFFS PROPERTY TRUST

## TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2023

### 17. 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 and 14 November 2023, 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.
- 1% asset acquisition fee or a minimum of \$20,000.
- 1% asset disposal fee, or a minimum of \$20,000.
- Up to 5% as a capital raising or marketing fee, collected by the Investment Manager and paid to third parties.
- An asset transaction cost to related parties of up to 2% collected by the Investment Manager and paid to the related or third parties.
- 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.

### 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: 19 December 2023

**PENNINGTON CLIFFS PROPERTY TRUST**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2023 \$	2022 \$
<b>Revenue and other income</b>			
Bank interest	2	4,802	156
<b>Total revenue and other income</b>		<b>4,802</b>	<b>156</b>
<b>Expenses</b>			
Investment manager fees	3	91,298	52,592
Trustee and administration fees	4	41,543	43,587
Other expenses	5	239,665	55,629
Establishment costs		80,345	95,470
Interest expense	7	497,639	167,574
<b>Total expenses</b>		<b>950,490</b>	<b>414,852</b>
<b>Net (loss) attributed to unitholders</b>		<b>(945,688)</b>	<b>(414,696)</b>
<b>Other comprehensive income/(loss)</b>			
Fair value profit or (loss) on investments	13(b)	534,669	(39,339)
<b>Total other comprehensive income</b>		<b>534,669</b>	<b>(39,339)</b>
Distribution expense		-	-
<b>Total comprehensive (loss)/income for the year attributable to unitholders net of distributions</b>		<b>(411,019)</b>	<b>(454,035)</b>

The accompanying notes form part of these financial statements

**PENNINGTON CLIFFS PROPERTY TRUST**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2023**

	Notes	2023 \$	2022 \$
<b>Current assets</b>			
Cash and cash equivalents	8	302,959	441,060
Sundry debtor	9	312,096	95,734
Prepaid interest		100,000	300,000
GST input credit		3,775	107,691
<b>Total current assets</b>		<b>718,830</b>	<b>944,485</b>
<b>Non-current assets</b>			
Golf course land at fair value	10	6,389,280	6,389,280
Golf course land development	10	2,110,720	2,110,720
Kangaroo Island Links Pty Ltd	10	2	2
Hog's Bay land held for development	10	919,255	919,255
Pennington Cliffs Holdings Pty Ltd	10	7,625,848	6,796,136
Acquisition costs – capitalised		183,795	183,795
Project costs – capitalised		342,318	312,918
Financing costs – capitalised		41,159	41,159
Establishment costs – capitalised		401,727	401,727
Amortisation: establishment costs		(160,691)	(80,345)
<b>Total non-current assets</b>		<b>17,853,413</b>	<b>17,074,647</b>
<b>Total assets</b>		<b>18,572,243</b>	<b>18,019,132</b>
<b>Current liabilities</b>			
Trade creditors		-	42,610
Sundry creditors	12	729,681	77,941
AFAM loan	11(a)	4,000,000	-
<b>Total current liabilities</b>		<b>4,729,681</b>	<b>120,551</b>
<b>Non-current liabilities</b>			
AFAM loan	11(b)	-	4,000,000
CBA debt facility	11(b)	5,705,000	5,850,000
<b>Total non-current liabilities</b>		<b>5,705,000</b>	<b>9,850,000</b>
<b>Total liabilities</b>		<b>10,434,681</b>	<b>9,970,551</b>
<b>Net assets</b>		<b>8,137,562</b>	<b>8,048,581</b>
<b>Represented by:</b>			
Issued units	13 (a)	5,430,998	4,930,998
Undistributed profit/(loss) attributable to unitholders	13 (b)	2,706,564	3,117,583
<b>Net assets attributable to unitholders</b>		<b>8,137,562</b>	<b>8,048,581</b>

The accompanying notes form part of these financial statements

**PENNINGTON CLIFFS PROPERTY TRUST**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2023**

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 2023**

	Notes	2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers		(157,753)	(153,610)
Bank interest	2	4,802	156
Bank charges		-	(22)
Net cash (used in) operating activities		<b>(152,951)</b>	<b>(153,476)</b>
<b>Cash flows from investing activities</b>			
Payment for investment assets		-	(965,024)
Net cash (used in) investing activities		<b>-</b>	<b>(965,024)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of units		500,000	2,000,000
Loans to related parties	9	(220,000)	(72,519)
Loan repayments		-	(143,652)
Interest payments		(465,150)	(224,269)
Proceeds from Pelligra joint venture		200,000	-
Net cash provided by financing activities		<b>14,850</b>	<b>1,559,560</b>
Net increase/ (decrease) in cash and cash equivalents		(138,101)	441,060
Cash and cash equivalents at the beginning of year		441,060	-
<b>Cash and cash equivalents at the end of year</b>	<b>8</b>	<b>302,959</b>	<b>441,060</b>

The accompanying notes form part of these financial statements

# PENNINGTON CLIFFS PROPERTY TRUST

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 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 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 2023

### 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 recognised 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 2023

### 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 2022 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 2023, 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 2023

### NOTE 2: REVENUE

#### Bank interest

	2023	2022
	\$	\$
Bank interest	4,802	156
	<u>4,802</u>	<u>156</u>

### NOTE 3: INVESTMENT MANAGER FEES

	2023	2022
	\$	\$
Investment manager fees	91,298	52,592
	<u>91,298</u>	<u>52,592</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.
- 1% asset acquisition fee or a minimum of \$20,000.
- 1% asset disposal fee, or a minimum of \$20,000.
- Up to 5% as a capital raising or marketing fee, collected by the Investment Manager and paid to third parties.
- An asset transaction cost to related parties of up to 2% collected by the Investment Manager and paid to the related or third parties.

### NOTE 4: TRUSTEE AND ADMINISTRATION FEES

	2023	2022
	\$	\$
Trustee fees	25,000	25,000
Administration fees	16,543	18,587
	<u>41,543</u>	<u>43,587</u>

In accordance with the Information Memorandum of the Fund issued on 9 June 2022 and 14 November 2023, 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 2023**

**NOTE 5: OTHER EXPENSES**

	<b>2023</b>	<b>2022</b>
<b>Property expenses</b>	<b>\$</b>	<b>\$</b>
Legal fees	107,793	40,940
Council rates	5,482	7,847
<b>Sub-total</b>	<b>113,275</b>	<b>48,787</b>
<b>Other fund expenses</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Tax return fees	2,995	2,850
Bank fees	15	-
Other administration expenses	5,163	850
Regulatory fees	2,719	3,120
Withholding tax	-	22
Capital raising fee	25,000	-
Acquisition fee	90,000	-
Emergency service levy	498	-
<b>Sub-total</b>	<b>126,390</b>	<b>6,842</b>
<b>Grand total</b>	<b>239,665</b>	<b>55,629</b>

**NOTE 6: ESTABLISHMENT COSTS**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Establishment costs	401,727	401,727
Amortisation: establishment costs	(160,691)	(80,345)
	<b>241,036</b>	<b>321,382</b>

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

**NOTE 7: INTEREST EXPENSE**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Interest expense	497,639	167,574
	<b>497,639</b>	<b>167,574</b>

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 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 24 May 2022.

**PENNINGTON CLIFFS PROPERTY TRUST**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**NOTE 8: CASH AND CASH EQUIVALENTS**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Cash	308,109	441,060
Cash balance CBA bank	(5,150)	-
<b>Total cash and cash equivalents</b>	<b><u>302,959</u></b>	<b><u>441,060</u></b>

**NOTE 9: SUNDRY DEBTOR**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Loan to unitholder	376	376
Input tax credit re 2020	431	431
GST benefit refundable by ATO	-	3,638
Reimbursement receivable	18,770	18,770
Loans to related parties	292,519	72,519
	<b><u>312,096</u></b>	<b><u>95,734</u></b>

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

**NOTE 10: INVESTMENTS**

**Investment held**

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

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Golf course land at fair value</b>		
Freehold land at cost	1,543,169	1,543,169
Unrealised gain on freehold land at fair value	4,846,111	4,846,111
	<b><u>6,389,280</u></b>	<b><u>6,389,280</u></b>
<b>Golf course land development</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
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
	<b><u>2,110,720</u></b>	<b><u>2,110,720</u></b>

**PENNINGTON CLIFFS PROPERTY TRUST**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**NOTE 10: INVESTMENTS (continued)**

**Kangaroo Island Links P/L**

	<b>2023</b>	<b>2022</b>
	\$	\$
Shares of Kangaroo Island Links P/L at cost	2	2
	<u>2</u>	<u>2</u>

**Hog's Bay land held for development**

	<b>2023</b>	<b>2022</b>
	\$	\$
Freehold land at cost	850,000	850,000
Settlement costs	69,255	69,255
	<u>919,255</u>	<u>919,255</u>

**Pennington Cliffs Holdings Pty Ltd**

	<b>2023</b>	<b>2022</b>
	\$	\$
Shares of Pennington Cliffs Holdings P/L at cost	100	100
Loan to Pennington Cliffs Holdings P/L	6,835,375	6,835,375
Revaluation of shares	790,373	(39,339)
	<u>7,625,848</u>	<u>6,796,136</u>

**NOTE 11: LOANS**

a. Current liabilities

	<b>2023</b>	<b>2022</b>
	\$	\$
AF&AM Loan	4,000,000	-
	<u>4,000,000</u>	<u>-</u>

b. Non-current liabilities

	<b>2023</b>	<b>2022</b>
	\$	\$
AF&AM Loan	-	4,000,000
CBA Debt Facility	5,705,000	5,850,000
	<u>5,705,000</u>	<u>9,850,000</u>



**PENNINGTON CLIFFS PROPERTY TRUST**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**NOTE 12: SUNDRY CREDITORS**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Tax return fees	5,795	2,850
Investment management fees	111,609	20,311
Acquisition fee	90,000	-
Administration expenses	495	650
Regulatory fees	1,370	680
Project management fees	-	50,000
Other accrued expense	-	3,450
Capital raising fee payable	25,000	-
Pelligra 30% contribution	200,000	-
Capital contribution to the sub trusts	295,412	-
	<b>729,681</b>	<b>77,941</b>
	<b>729,681</b>	<b>77,941</b>

**NOTE 13: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

**(a) Issued units**

	<b>2023</b>	<b>2023</b>	<b>2022</b>	<b>2022</b>
	<b>Units</b>	<b>\$</b>	<b>Units</b>	<b>\$</b>
Opening balance	7,761,204	4,930,998	100	1,708,252
Additional units	-	-	4,761,104	222,746
Units issued – applications	495,050	500,000	3,000,000	3,000,000
<b>Closing balance</b>	<b>8,256,254</b>	<b>5,430,998</b>	<b>7,761,204</b>	<b>4,930,998</b>
	<b>8,256,254</b>	<b>5,430,998</b>	<b>7,761,204</b>	<b>4,930,998</b>

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.

The units were issued at different unit prices in the financial year 2022. There were 4,761,104 units issued for \$222,746 and 3,000,000 units issued for \$3,000,000 in financial year 2022.

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

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Opening balance	3,117,583	3,571,618
Unrealised fair value profit/(loss) on investment	534,669	(39,339)
Net operating profit/ (loss) attributable to unitholders	(945,688)	(414,696)
<b>Closing balance</b>	<b>2,706,564</b>	<b>3,117,583</b>
	<b>2,706,564</b>	<b>3,117,583</b>

**(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.

# PENNINGTON CLIFFS PROPERTY TRUST

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 14: 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) (2022: \$25,000) were paid or payable 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 \$91,298 (plus GST) (2022: \$52,592) were accrued by the Fund to Pennington Cliffs Management Pty Ltd for its role as Investment Manager for the period.

Fees of \$25,000 (plus GST) (2022: nil) in relation to the capital raising were accrued by the Fund to Pennington Cliffs Management Pty Ltd for its role as Investment Manager for the period.

Fees of \$90,000 (plus GST) (2022: nil) in relation to the asset acquisition were accrued by the Fund to Pennington Cliffs Management Pty Ltd for its role as Investment Manager for the period.

#### (c) Administration Manager

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

Administration fees of \$16,543 (plus GST) (2022: \$18,587) were paid or payable 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 2023 was \$292,519 (2022: \$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 \$107,793 (2022: \$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 \$75,000 (2022: \$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 2023. Kangaroo Island Golf Co Pty Ltd is a related party of Investment Manager.

## **PENNINGTON CLIFFS PROPERTY TRUST**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

#### **NOTE 14: RELATED PARTY TRANSACTIONS (continued)**

##### **(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 15: CONTINGENT LIABILITIES**

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

#### **NOTE 16: 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.

#### **NOTE 17: 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.

# PENNINGTON CLIFFS PROPERTY TRUST

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 17: FINANCIAL RISK MANAGEMENT (continued)

#### (c) Market and Return 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.

Investment returns from the Fund are affected by general market conditions and may decline over short or extended periods due to market sentiment, economic, technological, legal, social and/or political factors. Real estate valuations fluctuate and the value of real property is determined by market forces at any particular time. This may result in the value of the property held by the Fund increasing or declining in value. None of these conditions are within the Trustee's or the Investment Manager's control and no assurances can be given that such factors will be anticipated. The value of an investment may rise or fall, distributions may or may not be paid and an Investor's capital may or may not be returned.

The Fund seeks to deliver returns (primarily interest income) to Investors. The Fund is targeting returns which are higher than interest paid on basic deposit products. However, Investors should note that an investment in the Fund is not an investment in an ADI (such as a bank) regulated by APRA and an investment in the Fund carries more risk than an investment in a bank. As a general rule, higher potential returns have higher levels of uncertainty (high-risk) than investments with lower potential returns and low levels of uncertainty (low risk). The Target Return is not a forecast. The Fund may not be successful in meeting this objective and returns are not guaranteed. None of the Trustee, the Investment Manager nor any other person or entity guarantees any income or return from an investment of the Fund.

#### (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 2023:

- Loan of \$4,000,000 from AF & AM Nominees Pty Ltd
- Loan of \$5,705,000 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 2023**

#### **NOTE 17: 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 18: 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 2023 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

19 December 2023