

**JOSEPH PALMER & SONS PROPERTY FUND**  
**ARSN 133 409 382**

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**Financial Report**  
**for the year ended**  
**30 June 2018**



**JOSEPH PALMER & SONS PROPERTY FUND  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 JUNE 2018**

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The directors of DDH Graham Limited, the responsible entity (the Responsible Entity") of the Joseph Palmer & Sons Property Fund ("the Fund"), present their report together with the financial report of the Fund for the year ended 30 June 2018 and the auditor's report thereon.

**The Responsible Entity**

The responsible entity is an unlisted public company incorporated under the Corporations Act 2001 and holds an Australian Financial Services Licence.

The registered office and place of business of the Responsible Entity and the Fund is Level 9, 324 Queen Street, Brisbane.

**Directors**

The directors of DDH Graham Limited at any time during or since the end of the financial period are:

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<b>Name and qualifications</b>	<b>Age</b>	<b>Experience and responsibilities</b>
<b>Peter B Lockhart</b> Joint Managing Director Bachelor of Economics Master of Business Administration	64	Director since 1988. Extensive experience in financial advisory and trust and superannuation management services. Member of Compliance Committee. Member of Audit Committee.
<b>Ugo C Di Girolamo</b> Joint Managing Director Associate Diploma in Business	56	Director since 2000. Over 29 years' experience in financial markets including 15 years in an executive money market role.
<b>David D H Graham</b> Bachelor of Commerce Bachelor of Economics (Hons) Master of Business Administration	76	Director since 1986. Extensive experience in financial advisory and trust management services.
<b>Douglas A Graham</b> Chief Operating Officer Bachelor of Commerce Bachelor of Arts	44	Director since May 2017. Extensive experience across a range of industries including finance and information technology. Member of the Institute of Chartered Accountants Australia and New Zealand.

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**JOSEPH PALMER & SONS PROPERTY FUND  
DIRECTORS' REPORT  
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Directors have been in office since the beginning of the financial year to the date of this report unless otherwise stated.

**Principal activities**

The Fund is registered by the Australian Securities & Investments Commission as a managed investment scheme domiciled in Australia.

The Fund continued to purchase property securities in accordance with Supplementary Product Disclosure Statement issued on 13 December 2013.

There were no significant changes in the activities of the Fund during the financial year.

The Fund did not have any employees during the year.

**Review and results of operations**

During the year the Fund continued to hold listed property securities and its investment in the Gawler Trust.

In accordance with Accounting Standard AASB 139 *Financial Instruments: Recognition and Measurement*, the Fund's financial assets and liabilities are measured at fair value with resulting adjustments recognised in the Statement of Profit or Loss and Other Comprehensive Income.

**Results**

The results of the operations of the Fund were as follows:

	<b>2018</b>	<b>2017</b>
	\$	\$
Net operating income before finance costs attributable to unitholders	873,743	301,802
Distributions paid and payable	242,149	201,322
Distributions (cents per unit)	6.00	5.00

**Value of Assets**

The value of the Fund's assets of \$4,902,851 (2017: \$4,243,578) is derived using the basis set out in Note 3 to the financial statements.

**Interests in the Fund**

The movement in units on issue in the Fund during the year is set out below:

	<b>2018</b>	<b>2017</b>
	No.	No.
Opening balance	4,028,587	4,020,330
Applications	-	-
Reinvestment of distributions	9,723	8,257
Closing balance	<b>4,038,310</b>	<b>4,028,587</b>

**JOSEPH PALMER & SONS PROPERTY FUND  
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FOR THE YEAR ENDED 30 JUNE 2018**

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**Significant changes in state of affairs**

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the year under review, not otherwise disclosed elsewhere in this report.

**Matters subsequent to the end of the financial year**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Fund, the results of those operations, or the state of affairs of the Fund, in future financial years.

**Likely developments and expected results of operations**

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and as reflected in the Supplementary Product Disclosure Statement dated 13 December 2013.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed, and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the responsible entity believes it would be likely to result in unreasonable prejudice to the Fund.

**Indemnification and insurance of officers and auditors**

*Indemnification*

Under the Fund constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Fund's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

The Fund has not indemnified any auditor of the Fund.

*Insurance Premiums*

During the year the Responsible Entity has paid premiums in respect of its officers for liability and legal expenses insurance contracts for the period ended 30 June 2018. The Responsible Entity has paid or agreed to pay in respect of the Fund, premiums in respect of such insurance contracts for the year ended 30 June 2019. Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been officers of the Responsible Entity.

**JOSEPH PALMER & SONS PROPERTY FUND  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 JUNE 2018**

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**Indemnification and insurance of officers and auditors (continued)**

Details of the nature of the liabilities covered or the amount of the premium paid have not been included as such disclosure is prohibited under the terms of the contracts.

**Fees paid to and interests held in the Fund by the responsible entity or its associates**

Fees paid to the responsible entity and its associates out of Fund property during the period are disclosed in Note 13 to the financial statements.

No fees were paid out of Fund property to the directors of the responsible entity during the period.

The number of interests in the Fund held by the responsible entity or its associates as at the end of the financial year are disclosed in Note 13 to the financial statements.

**Environmental regulation**

The Fund's operations are not subject to any significant environmental regulations under either Commonwealth, State or Territory legislation.

**Auditor's independence declaration**

The auditor's independence declaration is set out on page 5 and forms part of this directors' report for the period ended 30 June 2018.

No officer or director of the Responsible Entity is or has been a partner/director of any auditor of the Fund.

This report is made in accordance with a resolution of the directors.

On behalf of the directors of the responsible entity:



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**P B Lockhart  
Director  
DDH Graham Limited  
Responsible Entity  
Brisbane 19 September 2018**

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF DDH GRAHAM LIMITED  
AS RESPONSIBLE ENTITY FOR  
JOSEPH PALMER & SONS PROPERTY FUND**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

**PKF HACKETTS AUDIT**



**Liam Murphy**  
**Partner**

Brisbane, 19 September 2018

**JOSEPH PALMER & SONS PROPERTY FUND**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2018 \$	2017 \$
<b>Revenue</b>			
Interest		4,045	3,504
Trust distribution		302,366	255,858
<b>Total revenue</b>		<b>306,411</b>	<b>259,362</b>
<b>Other income</b>			
Realised gain on sale of financial assets held at fair value through profit or loss		8,828	49,728
Unrealised gain on financial assets held at fair value through profit or loss		683,523	111,365
<b>Total revenue and other income</b>		<b>998,762</b>	<b>420,455</b>
<b>Expenses</b>			
Responsible entity's fee	13	53,262	52,251
Custody fees		20,373	20,500
Investment management fees		29,378	26,178
Other operating expenses		22,006	19,724
<b>Total operating expenses</b>		<b>125,019</b>	<b>118,653</b>
<b>Net operating income for the year</b>		<b>873,743</b>	<b>301,802</b>
<b>Finance costs attributable to unitholders from operations</b>			
Distributions to unitholders	10	242,149	201,322
<b>Increase in net assets attributable to unitholders from operations</b>		<b>631,594</b>	<b>100,480</b>
Other comprehensive income		-	-
<b>Total increase in net assets attributable to unitholders from operations / total comprehensive income</b>	5	<b>631,594</b>	<b>100,480</b>

*The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes on pages 10 to 24.*

**JOSEPH PALMER & SONS PROPERTY FUND**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2018**

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The Fund's net assets attributable to unitholders are classified as a liability under AASB 132 *Financial Instruments: Presentation*. As such the Fund has no equity, and no items of changes in equity have been presented for the current or comparative year.

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*The Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 10 to 24.*



**JOSEPH PALMER & SONS PROPERTY FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**

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	Notes	<b>2018</b>	<b>2017</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	234,115	245,235
Receivables	8	162,283	120,458
<b>Total Current Assets</b>		<b>396,398</b>	<b>365,693</b>
<b>Non-Current Assets</b>			
Investment securities	7	4,506,453	3,877,885
<b>Total Non-Current Assets</b>		<b>4,506,453</b>	<b>3,877,885</b>
<b>Total Assets</b>		<b>4,902,851</b>	<b>4,243,578</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables	9	140,890	123,987
<b>Total liabilities (excluding net assets attributable to Unitholders)</b>		<b>140,890</b>	<b>123,987</b>
<b>Net assets attributable to Unitholders - Liability</b>	5	<b>4,761,961</b>	<b>4,119,591</b>

*The Statement of Financial Position should be read in conjunction with the accompanying notes on pages 10 to 24.*

**JOSEPH PALMER & SONS PROPERTY FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Interest received		4,045	3,504
Distributions received		260,646	260,625
Operating expenses paid		(128,655)	(116,352)
<b>Net cash from operating activities</b>	15(a)	<b>136,036</b>	<b>147,777</b>
<b>Cash flows from investing activities</b>			
Purchase of investment securities		(85,488)	(101,520)
Proceeds from sale of investment securities		149,271	126,828
<b>Net cash from investing activities</b>		<b>63,783</b>	<b>25,308</b>
<b>Cash flows from financing activities</b>			
Distributions paid		(210,939)	(182,628)
<b>Net cash from financing activities</b>		<b>(210,939)</b>	<b>(182,628)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(11,120)</b>	<b>(9,543)</b>
Cash and cash equivalents at the beginning of the year	6	245,235	254,778
<b>Cash and cash equivalents at the end of the year</b>	6	<b>234,115</b>	<b>245,235</b>

*The Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 10 to 24.*

**JOSEPH PALMER & SONS PROPERTY FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**1. REPORTING ENTITY**

Joseph Palmer & Sons Property Fund (“the Fund”) is a trust which is a registered managed investment scheme under the Corporations Act 2001, established and domiciled in Australia. The financial report of the Fund is for the year ended 30 June 2018.

The Responsible Entity of the Fund is DDH Graham Limited. The Responsible Entity’s registered office and place of business is Level 9, 324 Queen Street Brisbane QLD 4000.

The financial statements were authorised for issue by the directors of the Responsible Entity on 19 September 2018.

**2. BASIS OF PREPARATION**

**a) Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (‘AASBs’) adopted by the Australian Accounting Standards Board (‘AASB’), other Authoritative pronouncements of the AASB, the *Corporations Act 2001*, and the Fund’s constitution. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. The Fund is a for profit entity for financial reporting purposes under Australian Accounting Standards.

**b) Basis of measurement**

The financial statements have been prepared on an accrual basis and are based on the historical cost basis except for cash flow information and financial instruments at fair value through profit or loss, which are measured at fair value.

**c) Functional & presentation currency**

The financial report of the Fund is presented in Australian dollars which is the functional currency of the Fund.

**d) Use of estimates and judgement**

The preparation of a financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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

There were no key adjustments during the year arising from estimates and judgements.

**JOSEPH PALMER & SONS PROPERTY FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**e) Changes in accounting policies**

The Fund has consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

There are no accounting standards, interpretations, or amendments to existing accounting standards that are effective for the first time for the financial year beginning 1 July 2017 that had a material impact on the Fund.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The principle accounting policies applied in the preparation of these financial statements are set out below and have been consistently applied unless otherwise stated.

**(a) Financial Instruments**

**(i) Classification**

The Fund's investments are classified as at fair value through profit or loss category.

**(ii) Recognition**

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

**(iii) Measurement**

Financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

After initial recognition, all financial instruments classified at fair value through profit or loss, are measured at fair value with changes in their fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

**(iv) Fair value measurement principles**

The fair value of financial instruments at the balance date is stated at net realisable value. In respect of unlisted property trust investments fair value is represented by the Fund's entitlement to the net assets of the investee Trust. Listed property securities are priced at last sale prices at balance date.

Financial liabilities are priced at current contractual obligation.

**(v) Derecognition**

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with AASB 139.

**JOSEPH PALMER & SONS PROPERTY FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(v) Derecognition (continued)**

The Fund uses the weighted average method to determine realised gains and losses on derecognition of financial assets not at fair value.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

**(vi) Specific investments**

*Cash and cash equivalents*

Cash comprises current deposits with banks held for meeting short-term cash commitments. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for investment purposes.

**(b) Net assets attributable to unitholders**

The Constitution sets out the circumstances under which redemption of units are permissible. Under the current Offer Document, redemptions are accepted only when a withdrawal offer is open, at the discretion of the Responsible Entity. On this basis units are classified as financial liabilities. The fair value of redeemable units is measured at the redemption amount that is payable (based on redemption price) as set out in the Constitution.

**(c) Interest income**

Interest income and expense is recognised in the Statement of Profit or Loss and Other Comprehensive Income as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Interest income on debt instruments at fair value through profit or loss is accrued using the original effective interest rate and classified to the interest income line item within the Statement of Profit or Loss and Other Comprehensive Income. Interest income is recognised on a gross basis, including withholding tax, if any.

**(d) Trust distribution Income**

Distribution income relating to unlisted and listed unit trust investments is recognised in the Statement of Profit or Loss and Other Comprehensive Income when declared.

In some cases, the Funds may receive or choose to receive distributions in the form of additional units rather than cash. In such cases the Funds recognise the distribution income for the cash distribution alternative with the corresponding debit treated as an additional investment.

**JOSEPH PALMER & SONS PROPERTY FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Net gains/(losses) on financial instruments held at fair value through profit or loss**

Net gains/(losses) on financial assets and financial liabilities held at fair value through profit or loss arising on a change in fair value are calculated as the difference between the fair value at year end and the fair value at the previous valuation point. Net gains/(losses) do not include interest or dividend/distribution income. Realised and unrealised gains/(losses) are shown in the notes to the financial statements.

**(f) Expenses**

All expenses, including management fees and responsible entity fees, are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accrual basis.

**(g) Taxation**

Under current legislation, provided the Fund distributes in full all taxable income to unitholders the Fund is not subject to income tax.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Funds to be offset against any future realised capital gains. If realised capital gains exceed realised capital losses the excess is distributed to the unitholders.

The benefits of imputation credits and foreign tax paid are passed onto unitholders.

**(h) Distributions**

In accordance with the Constitution of the Fund and applicable taxation legislation, the Fund distributes its distributable income and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the Statement of Profit or Loss and Other Comprehensive Income as finance costs attributable to unitholders.

Distributions paid are included in cash flows from financing activities in the Statement of Cash Flows.

**(i) Unit prices**

The unit price is based on unit price accounting outlined in the Funds' Constitutions and product disclosure statement.

**(j) Change in net assets attributable to unitholders**

Non-distributable income, which may comprise unrealised changes in the fair value of investments, net capital losses, tax-deferred income, accrued income not yet assessable and non-deductible expenses are reflected in the Statement of Profit or Loss and Other Comprehensive Income as change in net assets attributable to unitholders.

**JOSEPH PALMER & SONS PROPERTY FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(j) Change in net assets attributable to unitholders (continued)**

These items are included in the determination of distributable income in the period for which they are assessable for taxation purposes.

**(k) Receivables**

Receivables include amounts for distributions, interest and other amounts owed to the Fund.

Distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of the last payment in accordance with the policy set out in note 3(c) above.

Amounts are generally received within 30 days of being recorded as receivables.

Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists an impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income as the difference between the assets carrying value and the present value of estimated future cash flows discounted at the original effective interest rate.

**(l) Payables**

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at balance date.

The distribution amount payable to unitholders as at the reporting date is recognised separately on the Statement of Financial Position as unitholders are presently entitled to the distributable income as at 30 June 2018 under the Funds Constitution.

**(m) Applications and redemptions**

Applications received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Funds. Redemptions from the Funds are recorded gross of any exit fees payable after the cancellation of units redeemed.

The application and redemption prices of units are determined based on the value of the Fund's net assets on the date of the application or redemption divided by the number of units on issue on that date. A full description of the method used to calculate application and redemption prices of units is provided in the Fund's Product Disclosure Statement (PDS) and the Fund's Constitution.

**(n) Goods and services tax**

Management fees, responsible entity fees and other expenses are recognised net of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO).

Payables are stated with the amount of GST excluded.

The net amount of GST recoverable from the ATO is included in receivables in the Statement of Financial Position.

Cash flows are included in the statement of cash flows on a gross basis.

**JOSEPH PALMER & SONS PROPERTY FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(o) Impairment**

At each reporting date, the Fund reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Fund estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

**(p) New Accounting Standards for application in future periods**

New accounting Standards which are relevant to the Trust, have been published but are not effective until annual reporting periods beginning on or after 1 January 2018.

- AASB 9: 'Financial Instruments', and associated Amending Standards;
- AASB 15: 'Revenue with Contracts with Customers', and associated Amending Standards; and
- AASB 16: 'Leases', and associated Amending Standards;

The Directors have considered the above standards and do not believe their application will have a material impact on the Trust.

**4. Auditor's remuneration**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Auditing and review of the financial report and other audit work under Corporations Act 2001	4,650	4,500

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**JOSEPH PALMER & SONS PROPERTY FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**5. Net assets attributable to unitholders - liability**

**Movements in number of units and net assets attributable to unitholders during the year were as follows:**

As stipulated within the Fund Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>No.</b>	<b>\$</b>	<b>No.</b>	<b>\$</b>
Opening balance	4,028,587	4,119,591	4,020,330	4,010,675
Applications	-	0	-	-
Reinvestment of distributions	9,723	10,776	8,257	8,436
Increase in net assets attributable to unitholders	-	631,594	-	100,480
Closing balance	<b>4,038,310</b>	<b>4,761,961</b>	<b>4,028,587</b>	<b>4,119,591</b>

The Fund's net assets attributable to unitholders are classified as a liability under AASB 132 *Financial Instruments: Presentation*. As such the Fund has no equity, and no items of changes in equity have been presented for the current or comparative year.

**Capital risk management**

The Fund manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a financial liability.

Unitholders have no withdrawal rights and redemption offers are at the discretion of the Responsible Entity. The Fund must have liquid assets equal to applications for the maximum total redemption amount likely to be received under any redemption offer made by the Responsible Entity. No redemption offer (2017: Nil) was made to unitholders.

The ratio of liquid assets to net assets attributable to unitholders as at 30 June 2018 and 30 June 2017 is as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Net applications	-	-
Liquid assets in the Fund	1,165,569	1,198,120
Net assets attributable to unitholders	4,761,961	4,119,591
Ratio of liquid assets to net assets attributable to unitholders	24.48%	29.08%

**JOSEPH PALMER & SONS PROPERTY FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**6. Cash and cash equivalents**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	<b>234,115</b>	<b>245,235</b>

**7. Financial assets held at fair value through profit and loss**

Units in unlisted unit trusts	3,575,000	2,925,000
Units in listed property securities	931,453	952,885
	<b>4,506,453</b>	<b>3,877,885</b>

**8. Receivables**

Distribution receivable	160,475	118,756
Other receivables	1,808	1,702
	<b>162,283</b>	<b>120,458</b>

**9. Payables**

Trade creditors	19,741	23,272
Distributions payable	121,149	100,715
	<b>140,890</b>	<b>123,987</b>

**10. Distributions to unitholders**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Distributions paid	121,000	100,607
Distributions payable	121,149	100,715
	<b>242,149</b>	<b>201,322</b>

**11. Financial risk management**

The future performance of the Fund may be adversely affected by a range of factors, including movements in inflation, interest rates, general economic conditions, changes in legislation and accounting standards, changes in government policy, changes in the supply and demand for property and property related securities.

The Fund's overall risk management program focuses on ensuring the Fund meets its stated aim as set out in the current Product Disclosure Statement (PDS) of providing to unitholders *"regular income distributions and the potential for capital growth from an actively managed and diversified property investment portfolio"*.

Financial risk management is the responsibility of DDH Graham Limited as the Responsible entity of the Fund. This responsibility includes regular oversight of the Investment Manager, to ensure full compliance of the Fund's investment mandate.

**JOSEPH PALMER & SONS PROPERTY FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**11. Financial risk management (continued)**

The Fund's activities expose it to a variety of financial risks: market (including price and interest rate risks), credit risk and liquidity risk. Set out below is information in respect of the Funds exposure to these types of risks and how they are managed.

**(a) Market Risk**

Market risk includes securities *price risk* held by the Fund for which prices in the future are uncertain. The investment manager manages the Fund daily in accordance with the Fund's investment objectives and policies as detailed in the PDS.

The Fund's investments in listed and unlisted unit trusts presents a risk of capital loss and is therefore classified on the Statement of Financial Position as at fair value through profit and loss meaning all changes in market conditions directly affect investment income. In this context fair value, as disclosed in Note 7, represents the maximum price risk faced by the Fund.

The effect on profit attributable to unitholders and net assets attributable to unitholders from a possible 5% change in prices (positive or negative) is \$225,323 (2017: \$193,894).

*Interest rate risk* exposure is not a material risk to the Fund and is therefore not actively mitigated. The Fund is subject to limited exposure to movements in fair value of financial assets subject to interest rate movements and the Investment Manager and Responsible Entity considers such risk acceptable.

The Fund is not exposed to any foreign currency risk.

**(b) Credit Risk**

Credit risk arises from cash and cash equivalents, and amounts owing classified as receivables. The maximum exposure to credit risk at balance date is the carrying value of such financial assets. None of these assets are impaired nor past due.

The Fund does not have any significant risk exposure to a single counterparty or any group of related counterparties. The nature of the Fund's activities causes such credit risk exposure to be limited and is therefore considered immaterial.

**(c) Liquidity Risk**

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's liquidity is managed daily to ensure all operating and administrative obligations are met as they fall due. The following table sets out the contractual maturities of financial liabilities.

**JOSEPH PALMER & SONS PROPERTY FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**11. Financial risk management (continued)**

<b>2018</b>	<b>Contractual cash flows \$</b>	<b>Less than 1 month \$</b>	<b>1-3 months \$</b>	<b>3 months to 1 year \$</b>	<b>1 year to 3 years \$</b>
Trade creditors	19,741	2,552	17,189	-	-
Distribution payable	121,149	-	121,149	-	-
Net assets attributable to unitholders - liability	4,761,961	-	-	-	4,761,961
<b>2017</b>	<b>Contractual cash flows \$</b>	<b>Less than 1 month \$</b>	<b>1-3 months \$</b>	<b>3 months to 1 year \$</b>	<b>1 year to 3 years \$</b>
Trade creditors	23,272	2,093	21,179	-	-
Distribution payable	100,715	-	100,715	-	-
Net assets attributable to unitholders - liability	4,119,591	-	-	-	4,119,591

Under the governing documents of the Fund, unitholders have no withdrawal rights. Interests in the Fund can only be redeemed at the discretion of the Responsible Entity. As disclosed in note 5, there is presently no intention by the Responsible Entity to make a redemption offer to unitholders.

**12. Fair value measurement**

The carrying amounts of the Funds' assets and liabilities are measured and recognised at fair value on a recurring basis. The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period. The major methods and assumptions used in estimating the fair values of assets and liabilities are disclosed in note 3(a) to the financial statements.

For the years ended 30 June 2018 and 30 June 2017, disclosure of fair value measurements is based on the following fair value hierarchy:

- (i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and

**JOSEPH PALMER & SONS PROPERTY FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**12. Fair value measurement (continued)**

(iii) Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Fund's financial assets and liabilities measured and recognised at fair value according to the above fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

<b>2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>Financial assets held at fair value through profit or loss</i>				
Investment securities	931,453	-	3,575,000	4,506,453
<b>Total</b>	<b>931,453</b>	<b>-</b>	<b>3,575,000</b>	<b>4,506,453</b>
<i>Financial liabilities held at fair value through profit or loss</i>				
	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<hr/>				
<b>2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>Financial assets held at fair value through profit or loss</i>				
Investment securities	952,885	-	2,925,000	3,877,885
<b>Total</b>	<b>952,885</b>	<b>-</b>	<b>2,925,000</b>	<b>3,877,885</b>
<i>Financial liabilities held at fair value through profit or loss</i>				
	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The fair value of Level 1 investment securities is traded in active markets and are therefore based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used is the last sale price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

At 30 June 2018, the fair value of the Level 3 unlisted investment security is based on an independent valuation of the investees Trust investment property, plant and equipment dated 30 June 2017 plus other assets at cost less liabilities as at that date.

**JOSEPH PALMER & SONS PROPERTY FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**12. Fair value measurement (continued)**

At 30 June 2017, the fair value was based on an independent valuation of the investees Trust investment property, plant and equipment dated 30 June 2016 plus other assets at cost less liabilities as at that date.

On a look through basis the inputs employed by the respective Trusts in respect of measuring its financial instruments is as follows:

- (l) Gawler Trust – discounted future cash flows from employment of the Trust property, plant and equipment and including subsequent disposal.

There were no transfers between levels during the year. The following table represents movement in level 3 instruments for the years ended 30 June 2018 and 30 June 2017:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Opening balance	2,925,000	2640,000
Unrealised gain recognised in profit or loss	650,000	285,000
Closing balance	<b>3,575,000</b>	<b>2,925,000</b>

**13. Related parties**

**Responsible Entity**

The Responsible Entity of the Fund is DDH Graham Limited (ABN 28 010 639 219).

**Key management personnel**

The Fund does not employ personnel. However, it is required to have an incorporated Responsible Entity to manage the activities of the Fund and this is considered the KMP. The directors of the Responsible Entity are key management personnel of that entity.

The names of persons who were directors of DDH Graham Limited at any time during the financial year were as follows: DDH Graham, PB Lockhart UC Di Girolamo and DA Graham.

**Remuneration of directors of the Responsible Entity**

Remuneration of the directors and specified executives is paid directly by the Responsible Entity. The directors and specified executives are not provided with any remuneration by the Fund itself. Directors and specified executives are not entitled to any equity interests in the Fund, or any rights to or options for equity interests in the Fund, because of the remuneration provided by the Responsible Entity.

**JOSEPH PALMER & SONS PROPERTY FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**13. Related parties (continued)**

**Loans to directors and specified executives of the responsible entity**

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the directors or their personally-related entities at any time during the reporting period.

**Responsible entity's fees and other transactions**

Under the terms of the Fund's Constitution, the Responsible Entity is entitled to receive a management fee, calculated by reference to the gross assets of the Fund at month end subject to a minimum amount of \$50,000 per annum and recover administrative and services costs incurred on behalf of the Fund. Details of these transactions are as follows inclusive of non-recoverable goods and services tax from the ATO on such expenditure.

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Management fee	53,262	52,251
Responsible Entity expense recoveries	109	124
Aggregate amounts payable to the Responsible Entity at balance date	4,354	4,167

**Investment manager's fees and other transactions**

Pursuant to an Investment Management Agreement, DDH Graham Limited has appointed Joseph Palmer & Sons Ltd as Investment Manager (Manager) of the Fund. The principal obligation of the Manager is to invest and manage all investments on behalf of the Responsible Entity.

The Manager is entitled to receive a fee equal to 0.6%pa, payable monthly, on gross assets of the Fund. Fees paid and payable in the year inclusive of non-recoverable goods and services tax from the ATO on such expenditure amounted to \$29,378 (2017: \$26,178) and amount payable at balance date \$2,552 (2017: \$2,092).

Neither DDH Graham Limited or its directors and specified executives or their personally-related entities has an ownership interest in the Manager.

**Investments**

The Fund does not hold any investments in other managed investment schemes to which DDH Graham Limited acts as the responsible entity.

**Unitholdings**

DDH Graham Limited or its director related entities and partners of Joseph Palmer & Sons may invest in or withdraw (subject to withdrawal offer being opened) from the Fund on the same terms and conditions as those entered by other Fund investors

**JOSEPH PALMER & SONS PROPERTY FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**13. Related parties (continued)**

Details of units held in the Fund by directors of DDH Graham Limited and partners of Joseph Palmer & Sons are as follows:

**2018**

<b>Unitholder</b>	<b>Number of units held</b>	<b>Interest held %</b>	<b>Number of units acquired</b>	<b>Distribution paid and or payable \$</b>	<b>Distribution payable at balance date \$</b>
Directors of DDH Graham Limited	100	0.0025	-	6	3
Partners of Joseph Palmer & Sons	223,681	5.5390	77,455	11,204	6,710

**2017**

<b>Unitholder</b>	<b>Number of units held</b>	<b>Interest held %</b>	<b>Number of units acquired</b>	<b>Distribution paid and or payable \$</b>	<b>Distribution payable at balance date \$</b>
Directors of DDH Graham Limited	100	0.0025	-	4	2
Partners of Joseph Palmer & Sons	146,226	3.6297	6,570	7,076	3,656

**14. Segment information**

The Fund operates solely in one business segment being financial investment management, in one geographical location being Australia and holds investments based in Australia.

**15. Reconciliation of operating loss to net cash from operating activities**

	<b>2018 \$</b>	<b>2017 \$</b>
<b>(a) Reconciliation of operating income to net cash from operating activities</b>		
Operating income	873,743	301,802
Realised gain on investment securities	(8,828)	(49,728)
Unrealised gain on investment securities	(683,523)	(111,365)
(Increase)/decrease in receivables	(41,826)	4,816
(Decrease)/increase in accounts payable	(3,530)	2,252
<b>Net cash from operating activities</b>	<b>136,036</b>	<b>147,777</b>



**JOSEPH PALMER & SONS PROPERTY FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**16. Events subsequent to balance date**

Since 30 June 2018, there has not been any matter or circumstances not otherwise dealt with in the Financial Report that has significantly affected or may significantly affect the Fund not otherwise disclosed elsewhere in this report. The directors are not aware of any other significant events since the reporting date.

**17. Contingent liabilities and assets and commitments**

As at 30 June 2018 the Fund does not have any contingent liabilities, contingent assets or commitments.

**JOSEPH PALMER & SONS PROPERTY FUND  
DIRECTORS' DECLARATION  
FOR THE YEAR ENDED 30 JUNE 2018**

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In the opinion of the directors of DDH Graham Limited, the Responsible Entity of the Joseph Palmer & Sons Property Fund:

1. The financial statements and notes of the Fund, set out on pages 6 to 24, are in accordance with the Corporations Act 2001, including:
  - (a) give a true and fair view of the Fund's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
  - (b) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
3. The financial statements and notes of the Fund, set out on pages 6 to 24, are in accordance with the provisions of the Constitution dated 23 September 2008 of the Fund.

This declaration is made in accordance with a resolution of the directors.



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**P B Lockhart  
Director  
DDH Graham Limited  
Responsible Entity  
Brisbane 19 September 2018**

## INDEPENDENT AUDITOR'S REPORT TO DDH GRAHAM LIMITED AS RESPONSIBLE ENTITY FOR JOSEPH PALMER & SONS PROPERTY FUND

### Report on the Financial Report

#### Opinion

We have audited the financial report of Joseph Palmer & Sons Property Fund ("the Fund"), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Joseph Palmer & Sons Property Fund is in accordance with the *Corporations Act 2001*, including:

- i) Giving a true and fair view of the Fund's financial position as at 30 June 2018 and of its performance for the year ended; and
- ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Fund, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Directors' Responsibilities for the Financial Report

The Directors of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITOR'S REPORT TO DDH GRAHAM LIMITED AS RESPONSIBLE  
ENTITY FOR JOSEPH PALMER & SONS PROPERTY FUND  
(CONTINUED)**

**Auditor's Responsibilities for the Audit of the Financial Report**

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. This description forms part of our audit report.

*PKF HACKETTS*

**PKF Hacketts Audit**



**Liam Murphy**  
**Partner**

Brisbane, 19 September 2018