

# QUANTUM PROPERTY SYNDICATE NO. 12

ARSN: 111 225 060

# financial report

FOR THE YEAR ENDED

30 JUNE 2009

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**Responsible Entity**

daVinci Funds Management Ltd

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AFSL: 237301

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**Custodian**

Australian Executor Trustees Ltd

ABN: 84 007 869 794

Level 9

80 Alfred Street

MILSONS POINT NSW 2061

**Auditor**

Pascoe Whittle

Level 8

191 Clarence Street

SYDNEY NSW 2000

## DIRECTORS REPORT

*The Directors of daVinci Funds Management Ltd, the Responsible Entity of Quantum Property Syndicate No.12 ("the Fund") submit the report of the Fund for the year ended 30 June 2009.*

### DIRECTORS

The names of the Directors of daVinci Funds Management Ltd in office during the financial year and until the date of this report are:

- > Peter Gribble                      Chairman
- > JoAnna Fisher
- > James Maitland                  (Resigned 16 February 2009)
- > Joe Gooi                              (Appointed 16 February 2009)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### INFORMATION ON CURRENT DIRECTORS

**Peter Gribble                      B.Ec, CPA, ANIA, FITA**  
**Managing Director**

Peter Gribble is the founder of davinci Australia and was responsible for the direction and development of many of its property products. A qualified Accountant with over 20 years in tax, the investment markets and property. Peter has been involved in approximately \$1 billion of property transactions over that period, including direct involvement in most aspects of property acquisitions, management and development. Peter will drive the strategic direction of the company in Australia.

**JoAnna Fisher                      BA (Asian Studies), B.Ec**  
**Non-Executive Director**

JoAnna Fisher has over 20 years experience in the financial sector, with a thorough knowledge of investment management and investment banking. JoAnna is a former general manager – strategy and marketing for the Commonwealth Bank. She also spent 12 years at Bankers Trust Corporation in the US, Japan, UK and Australia developing and managing institutional funds management businesses. She was a member of the Bankers Trust Global Asset Allocation Committee. JoAnna holds degrees in Economics and Asian studies from the Australian National University and a Diploma from the Australian Institute of Company Directors.

**Joe Gooi                      M.Com, B.Ec**

Mr. Gooi is responsible for strategic directions and management of the company, as well as involved in the launching of various property funds for the Group. Prior to this, he worked on the implementation and formulation of strategy, cross border mergers and acquisitions / partnerships for KK daVinci Holdings. Mr. Gooi has broad experience in the corporate and investment banking sector, most recently with ANZ in Sydney and Deutsche Bank in Tokyo. He has worked for various large financial institutions in the past, focusing mainly on cross border/corporate finance transactions. Mr. Gooi was actively involved in building Deutsche Bank's investment banking franchise in Japan and has been instrumental in cross border business alliances and M & A between institutions. Mr. Gooi holds a Master of Commerce Degree with finance and accounting majors from the University of Sydney and is a member of the Gamma Beta Sigma Honors Society.

## DIRECTORS REPORT

### COMPANY SECRETARY

Edmund Thrum BA (Eco), MBA was appointed to the position of Company Secretary on 14 December 2007 and ceased on the 28<sup>th</sup> January 2009.

Peter Gribble B.Ec, CPA, ANIA, FITA, was appointed to the position of Company Secretary, on the 28 January 2009.

### PRINCIPAL ACTIVITIES

The principal activity of the Fund during the year was to invest funds in accordance with the provisions of the Fund Constitution. The Fund invests in direct property, money market securities and fixed interest securities in accordance with the provisions of the constitution. There have been no significant changes in the nature of those activities during the year.

### FUND INFORMATION

Quantum Property Syndicate No.12 is an Australian registered Managed Investment Scheme. daVinci Funds Management Ltd, the Responsible Entity of the Fund, is incorporated and domiciled in Australia.

The registered office of the Responsible Entity is located at Level 24, 225 George Street, Sydney, NSW, 2000.

At balance date, the Fund had no employees.

### OPERATING RESULTS

The net operating income is presented in the Income Statement. The net profit attributable to the Members of the Fund for the year ending 30 June 2009 amounted to a loss of \$355,633 (2008: -\$52,844.00).

### REVIEW OF OPERATIONS

The Scheme owns 100% of the property located at 6F Cowper Wharf Road, Woolloomooloo. List of major tenants and lease expiry profile;

<i>Tenants</i>	<i>Area</i>	<i>% of NLA</i>	<i>Lease expiry</i>
Wharfside Pty Ltd	540	29%	September 2010
Otto Ristorante Italiano Pty Ltd	480	26%	March 2032
Otto Ristorante Italiano Pty Ltd	267	14%	March 2032
Kingsleys Crab House Pty Ltd	571	31%	July 2020

Wharfside Pty Ltd took over the lease from Prospero Trading Pty Ltd during the year under the same terms and conditions.

## **DISTRIBUTIONS**

Distributions paid to Members during the year included the following payments;

- 0.75 cents per interest paid on 30 September 2008,
- 0.81 cents per interest paid on 31 December 2008,
- 0.70 cents per interest paid on 30 March 2009,
- 5.34 cents per interest paid on 29 June 2009,
- 0.10 cents per interest paid on 30 June 2009.

Totalling 7.70 cents per interest paid during the period ending 30 June 2009. Please refer to Note 11 in the Notes to Financial Statements for complete details regarding distributions.

## **INTERESTS ON ISSUE**

25,033,490 interests of Quantum Property Syndicate No.12 were on issue at 30 June 2009 (2008: 25,033,490). There were no interests redeemed or issued during the year, refer to Note 12 in the Notes to Financial Statements for further information.

## **OPTIONS**

No options over issued 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.

## **FUND ASSETS**

At 30 June 2009, Quantum Property Syndicate No.12 held assets to a total value of \$29,210,452 (2008: \$29,578,418). The basis for valuation of the assets is disclosed in Note 1 in the Notes to Financial Statements.

## **FEES PAID TO THE RESPONSIBLE ENTITY AND ASSOCIATES**

The following fees were paid to the Responsible Entity out of Fund property during the financial year;

- Management fee for the financial year paid to the Responsible Entity was \$213,375 (2008: \$213,375 )

Refer to Note 16 in the Notes to Financial Statements for further details regarding the fees paid to the Responsible Entity.

The Responsible Entity and its associates did not hold any interest in the Fund for the financial year ended other than as set out in Note 16 in the Notes to Financial Statements.

## **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

There were no significant changes to the state of affairs of Quantum Property Syndicate No.12 during the year, other than those changes otherwise identified in this financial report.

## **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

There have been no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may affect the Funds operations in future financial years, the results of those operations or the Funds state of affairs in future financial years.

## **DIRECTORS REPORT**

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The investment strategy of the Fund will be maintained in accordance with the Fund Constitution and investment objectives.

The Responsible Entity will undertake no further investments in direct property, unless approved by Members. Future results will depend on the performance of the market in relation to the Funds investment strategy.

### **ENVIRONMENTAL REGULATION AND ISSUES**

The operations of the Fund are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Fund.

### **INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS**

The Fund has indemnified all officers and employees of the Responsible Entity against liabilities of the Fund, under the Constitution other than if;

“... provided that the Manager did not act negligently, fraudulently or in breach of duty or breach of trust and acted, in accordance with this Constitution or the law; and acted in good faith”

During the year the Responsible Entity has paid premiums in respect of their officers for liability and professional indemnity insurance for the year ended 30 June 2009. The Responsible Entity has paid or agreed to pay premiums in respect of such insurance contracts for the following year. Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been the director or executive officers of the Responsible Entity.

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

### **PROCEEDINGS ON BEHALF OF MANAGED INVESTMENT SCHEME**

No person has applied for leave of Court to bring proceedings on behalf of the Fund or 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 those proceedings.

The Fund was not a party to any such proceedings during the year.

### **BOARD COMMITTEES**

As at the date of this report, the Responsible Entity had a Compliance Committee and a Nominating Committee.

## AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received the following declaration from the auditor of the Fund.



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### PASCOE WHITTLE

LEVEL 8, 191 CLARENCE STREET  
SYDNEY NSW 2000  
GPO BOX 5269  
SYDNEY NSW 2001  
TELEPHONE (02) 9299 2444  
FACSIMILE (02) 9299 2423

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

TO THE MEMBERS OF  
QUANTUM PROPERTY SYNDICATE NO. 12

We declare to the best of our knowledge and belief, during the year ended 30 June 2009 there have been:

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

PASCOE WHITTLE

A handwritten signature in blue ink, appearing to read 'John Pascoe', is written over a blue rectangular stamp.

**JOHN PASCOE**  
Partner

Sydney

19 October 2009

## DIRECTORS REPORT

The following non-audit services were provided by the Funds auditor, Pascoe Whittle. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Pascoe Whittle received or are due to receive the following amounts for the provision of non-audit services:

- Audit and review of the Fund compliance plan \$400

Signed in accordance with a resolution of the Directors

Peter Gribble  
Chairman  
daVinci Funds Management Ltd

Sydney, 19 October 2009



**INCOME STATEMENT**  
FOR THE YEAR ENDED 30 JUNE 2009

	<b>Note</b>	<b>30 June 2009</b>	<b>30 June 2008</b>
Rental income and outgoings recovered		2,213,868	2,527,219
Interest income		19,829	46,175
Net investment income	6	2,233,697	2,573,394
Property operating expenses		(412,102)	(464,049)
Fund management fees		(213,375)	(213,375)
Fund expenses		(35,679)	(30,353)
Finance costs		(1,928,174)	(1,918,461)
<b>Profit before fair value adjustments</b>		<b>(355,633)</b>	<b>(52,844)</b>
Net change in fair value of investment property		-	-
<b>Net profit attributable to members</b>		<b>(355,633)</b>	<b>(52,844)</b>
Basic earnings per interest (cents)		(1.42)	(0.21)
Diluted earnings per interest (cents)		(1.42)	(0.21)

The accompanying notes form part of these financial statements.

**BALANCE SHEET**  
FOR THE YEAR ENDED 30 JUNE 2009

	Note	30 June 2009	30 June 2008
<b>Current assets</b>			
Cash and cash equivalents		25,605	97,104
Receivables	7	733,833	1,039,640
Other	8	-	16,037
		<b>759,438</b>	<b>1,152,781</b>
<b>Non current assets</b>			
Investment property	9	28,451,014	28,425,637
		<b>28,451,014</b>	<b>28,425,637</b>
<b>Total assets</b>		<b>29,210,452</b>	<b>29,578,418</b>
<b>Current liabilities</b>			
Payables	10	36,300	48,611
Provisions	11	3,510	3,532
		<b>39,810</b>	<b>52,143</b>
<b>Non current liabilities</b>			
Interests on issue	12	25,033,490	25,033,490
		<b>25,033,490</b>	<b>25,033,490</b>
<b>Total liabilities</b>		<b>25,073,300</b>	<b>25,085,633</b>
<b>Net assets</b>		<b>4,137,152</b>	<b>4,492,785</b>
<b>Equity</b>			
Undistributed profits	13	4,137,152	4,492,785
<b>Total equity</b>		<b>4,137,152</b>	<b>4,492,785</b>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 30 JUNE 2009

	Note	30 June 2009	30 June 2008
<b>Total equity at the beginning of the year</b>		4,492,785	4,545,629
Profit for the year		(355,633)	(52,844)
Total recognised income and expenses for the year		(355,633)	(52,844)
<b>Total equity at the end of the year</b>	<b>13</b>	<b>4,137,152</b>	<b>4,492,785</b>

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED 30 JUNE 2009

	Note	30 June 2009	30 June 2008
<b>Cash flows from operating activities</b>			
Rental income and outgoings recovered		3,038,680	2,622,754
Interest received		19,829	46,175
Payments to suppliers		(1,168,174)	(920,088)
Borrowing costs paid		(1,928,174)	(1,918,461)
<b>Net cash provided by operating activities</b>	14(a)	<b>(37,839)</b>	<b>(169,620)</b>
<b>Cash flows from investing activities</b>			
Payments for investment property		(33,660)	-
<b>Net cash used in investing activities</b>		<b>(33,660)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from equity raisings		-	-
<b>Net cash used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>(71,499)</b>	<b>(169,620)</b>
Cash and cash equivalents at beginning of year		97,104	266,724
<b>Cash and cash equivalents at end of year</b>	14(b)	<b>25,605</b>	<b>97,104</b>

The accompanying notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2009

#### 1. REPORTING ENTITY

Quantum Property Syndicate No. 12 is a syndicate domiciled in Australia. The address of the syndicate's registered office is Level 24, Grosvenor Place, 225 George Street, Sydney, NSW, 2000. The financial statements of the syndicate as at and for the 12 month period ended 30 June 2009. The comparative information is for the year ended 30 June 2008

#### 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) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the syndicate also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

The syndicate elected to early adopt the following revised accounting standards:  
*AASB 8 Operating Segments*. Early adoption of this standard removes disclosures previously presented under *AASB 114 Segment Reporting*.

The financial statements were approved by the Board of Directors on the 19 October 2009.

##### (b) Basis of measurement

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property.

The following is a summary of the material accounting policies adopted by the Syndicate in the preparation of the financial report.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

##### (c) Functional and presentation currency

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

##### (d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, 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.

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 any future periods affected.

##### (e) Going concern

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

#### 3. SIGNIFICANT ACCOUNTING POLICIES

##### (a) Financial instruments

##### (i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2009

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the syndicate becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the syndicate's contractual rights to the cash flows from the financial assets expire or if the syndicate transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the syndicate commits itself to purchase or sell the asset. Financial liabilities are derecognised if the syndicate's obligations specified in the contract expire or are discharged or cancelled.

#### *Available-for-sale financial assets*

The syndicate's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(c(i))), are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

#### *Investments at fair value through profit or loss*

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the syndicate manages such investments and makes purchase and sale decisions based on their fair value in accordance with the syndicate's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

#### *Other*

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

### **(b) Intangible assets**

#### **(i) Other intangible assets**

Other intangible assets that are acquired by the syndicate, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

#### **(ii) Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

#### **(iii) Amortisation**

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than Goodwill, from the date that they are available for use.

### **(c) Impairment**

#### **i) Financial assets**

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2009

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

#### *ii) Non-financial assets*

The carrying amounts of the syndicate's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **(d) Provisions**

A provision is recognised if, as a result of a past event, the syndicate has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### **(e) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

##### *i) Interest income*

Interest income is recognised in the income statement using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset. When calculating the effective interest rate, the Syndicate estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2009

#### **(g) Income tax**

Under current income tax legislation, the Syndicate is not liable for income tax, provided that the taxable income is fully distributed to members each year. The Syndicate fully distributes its taxable income, calculated in accordance with the Syndicate Constitution and applicable legislation, to members who are presently entitled to income under the constitution. Tax allowances for building and plant and equipment depreciation are distributed to members in the form of tax deferred components of distributions.

#### **(h) Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### **(i) Cash and Cash Equivalents**

Cash and cash equivalents includes deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

#### **(j) Receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Receivables are due for settlement after not more than 30 days.

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Syndicate will not be able to collect all amounts due according to the original terms of receivables. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

#### **(k) Acquisition of Assets**

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, units issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

#### **(l) Investment Properties**

##### ***i) Rental Income***

Investment properties comprise investment interests in land and buildings held for long term rental yields and not occupied by the Fund. Investment properties are carried at fair value, representing open market value determined by external valuers. All properties have been externally valued within the past 12 months and the Fund aims to have properties valued in the future in line with market practice.

The carrying amount of investment properties recorded in the balance sheet includes components relating to lease incentives and assets relating to fixed increases in operating rentals in future periods. Changes in fair values are recorded in the income statement as part of other income.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2009

#### **ii) Investment property under development**

Investment properties under development are valued at the lower of cost and recoverable amount. An independent valuation is undertaken at practical completion of each investment property in order to assess the completion value.

#### **(m) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Fund prior to the end of the period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

#### **(n) Borrowings and borrowing costs**

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowing costs incurred for construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for intended use or sale. Other borrowing costs are expensed.

#### **(o) Capital contributed**

Ordinary units are classified as debt, and recorded as a non current liability. Increment costs directly attributable to the issue of new units are shown in non current liabilities as a deduction from the proceeds.

#### **(p) Distributions**

Given the classification of the Funds capital as debt, distributions are recorded as a borrowing cost in the income statement. Provision is made for the amount of any distribution declared, being appropriately authorised and no longer at the discretion of the Fund, on or before the end of the period but not distributed at balance date.

#### **(q) New standards and interpretations not yet adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 December 2008, but have not been applied preparing this financial report:

*Revised AASB 3 Business Combinations (2008)* incorporates the following changes that are likely to be relevant to the syndicate's operations:

The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations

Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss

Transaction costs, other than share and debt issue costs, will be expensed as incurred

Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss

Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised AASB 3, which becomes mandatory for the syndicate's 30 June 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the syndicate's 2010 financial statement.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2009

*Amended AASB 127 Consolidated and Separate Financial Statements (2008)* requires accounting for changes in ownership interests by the syndicate in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the syndicate loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, become mandatory for the syndicate's 30 June 2010 financial statements. The syndicate has not yet determined the potential effect of the amendments.

*Revised AASB 101 Presentation of Financial Statements (2007)* introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101 becomes mandatory for the syndicate's 30 June 2010 financial statements. The syndicate has not yet determined the potential effect of the amendments.

*AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process and 2008-6 Further Amendments to Australian Accounting Standards* arising from The Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments become mandatory for the syndicate's 30 June 2010 financial statements. The syndicate has not yet determined the potential effect of the amendments.

*AASB 2008-7 Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* changes the recognition and measurement of dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the syndicate's 30 June 2010 financial statements. The syndicate has not yet determined the potential effect of the amendments.

#### 4. DETERMINATION OF FAIR VALUES

A number of the syndicate's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### 5. FINANCIAL RISK MANAGEMENT

##### Overview

The syndicate has exposure to the following risks from their use of financial instruments:

credit risk

liquidity risk

market risk.

This note presents information about the syndicate's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is responsible for developing and monitoring risk management policies.

##### (a) Credit risk

Credit risk is the risk of financial loss to the syndicate if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the syndicate's receivables from customers.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2009

#### *Other receivables*

The syndicate has policies to ensure that sales of products and services are made to customers with an appropriate credit history.

The syndicate has not established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables and investments.

#### **(b) Liquidity risk**

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

Typically the syndicate ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The syndicate maintains sufficient cash reserves to meet ongoing operational expenses.

#### **(c) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the syndicate's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The syndicate does not enter into derivatives in its management of market risk.

#### *Currency risk*

The syndicate is not exposed to currency risk on purchases that are denominated in a currency other than the respective functional currency of the syndicate entity.

#### *Interest rate risk*

The syndicate's exposure to interest rate risk movements is limited to the cash balances held which are subject to floating interest rates. The syndicate therefore does not have significant interest rate risk exposure.

## 6. REVENUE

	30 June 2009	30 June 2008
-Rental income	2,112,622	2,399,986
-Outgoings recovered	101,246	127,233
-Interest income	19,829	46,175
	<b>2,233,697</b>	<b>2,573,394</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2009

**7. RECEIVABLES**

	30 June 2009	30 June 2008
Tenant debtors	156,688	65,759
Turnover rental receivable	577,145	973,881
	<b>733,833</b>	<b>1,039,640</b>

**8. OTHER ASSETS (CURRENT)**

	30 June 2009	30 June 2008
Prepayments	-	16,037
	<b>-</b>	<b>16,037</b>

**9. INVESTMENT PROPERTY**

	30 June 2009	30 June 2008
<b>At fair value</b>		
-Balance at beginning of year	28,425,637	28,450,000
-Acquisition	-	-
-Capitalised subsequent expenditure	33,660	-
-Amortisation of capitalised expenditure	(8,283)	(24,363)
-Increase from fair value adjustments	-	-
	<b>28,451,014</b>	<b>28,425,637</b>

Description	Acquisition		Independent valuation		Fair value	
	Date	Cost	Date	Value	2009	2008
The Wharf, Woolloomooloo (i)	December 2004	23,804,640	June 2008	28,450,000	28,451,014	28,425,637
		<b>23,804,640</b>		<b>28,450,000</b>	<b>28,451,014</b>	<b>28,425,637</b>

(i) As valued by CB Richard Ellis

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2009

**(a) Amounts recognised in profit and loss for investments property**

	30 June 2009	30 June 2008
Rental income	2,213,868	2,527,219
Direct operating expenses from property that generated income	(412,102)	(464,049)
	<b>1,801,766</b>	<b>2,063,170</b>

**(b) Valuation basis**

The basis of the valuation of investment property is fair value being the amounts for which the properties could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The fair value of investment property is based on independent assessments made by a member of the Australian Property Institute.

**(c) Investment Properties pledged as security**

The Fund has not directly borrowed any long term funds, however seventy-five percent of the Members of the Fund (the "Owners") have collectively borrowed funds in order to purchase interests in the Fund.

The Fund has pledged as security over these loans;

- registered first mortgage over the property in Woolloomooloo,
- registered second mortgage over the property in Woolloomooloo, and
- a fixed and floating charge over the assets of the Fund

These pledges have been approved by all of the Members of the Fund, and the Owners pay a fee to the remaining Members who have not borrowed funds (the "Trust") for the use of their share of the Funds assets as security for the borrowings.

The Owners are primarily relying on their distributions from the Fund's net profits to meet their borrowing cost obligations, should these distributions fall short of the amount required they have in place a facility to borrow funds from the Trust.

**(d) Leasing arrangements**

The investment property is leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

	30 June 2009	30 June 2008
Within one year	1,459,573	1,429,597
Later than one year but no later than 5 years	4,629,930	5,983,528
Later than five years	14,618,838	3,206,878
	<b>20,708,341</b>	<b>10,620,003</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2009

**10. PAYABLES (CURRENT)**

Trade liabilities are normally settled on 30 day terms.

	30 June 2009	30 June 2008
Trade and other payables	36,300	48,611
GST	-	-
	<b>36,300</b>	<b>48,611</b>

**11. PROVISIONS**

	30 June 2009	30 June 2008
Provision for expenses	3,510	3,532
	<b>3,510</b>	<b>3,532</b>
<b>(a) Movements in provision for distribution</b>		
Balance at beginning of the year	-	-
Distribution vesting in Members	1,928,174	1,918,461
Distributions paid	(1,928,174)	(1,918,461)
	<b>-</b>	<b>-</b>

**12. INTERESTS ON ISSUE**

	Date of Issue	Number of Interests		
Ordinary interests issued at \$1.00 per interest	21 December 2004	25,033,490	25,033,490	25,033,490
			<b>25,033,490</b>	<b>25,033,490</b>

***Rights and Restrictions over Ordinary Interests:***

Each Interest ranks equally with all other Ordinary Interests for the purpose of distributions and on termination of the Fund.

Ordinary Interests entitle the holder to one vote on a show of hands, or if a poll is called, one vote for each percentage of the total issued Interests held by that Interest holder, either in person or by proxy, at a meeting of the Fund.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

**13. UNDISTRIBUTED PROFIT**

	<b>30 June 2009</b>	<b>30 June 2008</b>
Balance at beginning of the year	4,492,785	4,545,629
Profit for the year	(355,633)	-52,844
	<b>4,137,152</b>	<b>4,492,785</b>

**14. STATEMENT OF CASH FLOWS**

**a) RECONCILIATION OF NET PROFIT TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

	<b>30 June 2009</b>	<b>30 June 2008</b>
Net profit/(loss) for the year	(355,633)	(52,844)
<b>Add back non cash items in profit and loss</b>		
-Amotisation of lease costs & incentives	8,283	24,363
-Fair value adjustment to investment property	-	-
	<b>(347,350)</b>	<b>(28,481)</b>
<b>Change in operating assets and liabilities</b>		
-Tenant debtors	305,807	(155,060)
-Prepayments	16,037	353
-Trade and other payables	(12,311)	13,411
-Provision for expenses	(22)	157
-GST		-
<b>Net cash flows from operating activities</b>	<b>(37,839)</b>	<b>(169,620)</b>

**b) RECONCILIATION OF CASH**

	<b>30 June 2009</b>	<b>30 June 2008</b>
Cash and cash equivalents	25,605	97,104
	<b>25,605</b>	<b>97,104</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2009

**15. FINANCIAL INSTRUMENTS**

**INTEREST RATE RISK**

The Fund's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating interest rate		Fixed interest rate maturing in						Non-interest bearing		Total carrying amount as per balance sheet	
			1 year or less		Over 1 to 5 years		More than 5 years					
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Financial assets												
Cash	25,605	97,104	-	-	-	-	-	-	-	-	25,605	97,104
Prepayments	-	-	-	-	-	-	-	-	-	16,037	-	16,037
Tenant debtors	-	-	-	-	-	-	-	-	733,833	1,039,640	733,833	1,039,640
	25,605	97,104	-	-	-	-	-	-	733,833	1,055,677	759,438	1,152,781
Weighted average interest rate	2.88	0.053	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Financial liabilities												
Trade and other payables	-	-	-	-	-	-	-	-	36,300	48,611	36,300	48,611
Provision for expenses	-	-	-	-	-	-	-	-	3,510	3,532	3,510	3,532
	-	-	-	-	-	-	-	-	39,810	52,143	39,810	52,143
Weighted average interest rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net financial assets/liabilities	25,605	97,104	-	-	-	-	-	-	694,023	1,003,534	719,628	1,100,638



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2009

***Credit Risk***

The carrying amount of financial assets included in the consolidated balance sheet represents the trust's maximum exposure to credit risk in relation to these assets.

The maximum exposure to credit risk at reporting date was:

	<b>2009</b>	<b>2008</b>
	\$	\$
Cash and cash equivalents	25,605	97,104
Trade and other receivables (current)	733,833	1,039,640
	<u>759,438</u>	<u>1,136,744</u>

***Impairment losses***

The trust's aging at the reporting date was as follows, there is no impairment:

	Gross <b>2009</b>	Impairment <b>2009</b>	Gross <b>2008</b>	Impairment <b>2008</b>
	\$	\$	\$	\$
Current	579,762	-	1,011,490	-
Past due 30 days	6,581	-	-	-
Past due 60 days	1,382	-	-	-
Past due 90 days	146,108	-	28,150	-
	<u>733,833</u>	<u>-</u>	<u>1,039,640</u>	<u>-</u>

The trust believes no impairment allowance is necessary in respect of trade receivables.

***Liquidity Risk***

The following are the contractual maturities of financial liabilities:

<b>30 June 2009</b>	<b>Carrying mount</b>	<b>Contractual Cashflows</b>	<b>6 Months or less</b>	<b>6-12 Months</b>	<b>1-2 Years</b>
	\$	\$	\$	\$	\$
Payables	36,300	36,300	36,300	-	-
Provisions	3,510	3,510	3,510	-	-
	<u>39,810</u>	<u>39,810</u>	<u>39,810</u>	<u>-</u>	<u>-</u>

<b>30 June 2008</b>	<b>Carrying mount</b>	<b>Contractual Cashflows</b>	<b>6 Months or less</b>	<b>6-12 Months</b>	<b>1-2 Years</b>
	\$	\$	\$	\$	\$
Trade Payables	48,611	48,611	48,611	-	-
Provisions	3,532	3,532	3,532	-	-
	<u>52,143</u>	<u>52,143</u>	<u>52,143</u>	<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2009

#### *Interest Rate Risk Exposures*

At the reporting date the interest rate profile of the syndicate's interest bearing financial instruments was:

	2009	2008
<b>Floating Rate Instruments</b>		
<i>Financial assets</i>		
Cash and cash equivalents	25,605	97,104
	<u>25,605</u>	<u>97,104</u>
<b>Non Interest Bearing</b>		
<i>Financial assets</i>		
Trade & Other Receivables	733,833	1,039,640
Prepayments	-	16,037
Investment Property	28,451,014	28,425,637
Interests on Issue	(25,033,490)	(25,033,490)
Payables	(36,300)	(48,611)
Provisions	(3,510)	(3,532)
	<u>4,111,547</u>	<u>4,395,681</u>

#### *Sensitivity analysis*

A sensitivity analysis of the trust's exposure to interest rate changes has not been disclosed as the exposure is non-significant.

#### *Fair values*

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2009		2008	
	\$	\$	\$	\$
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	25,605	25,605	97,104	97,104
Trade & Other Receivables	733,833	733,833	1,039,640	1,039,640
Prepayments	-	-	16,037	16,037
Investment Property	28,451,014	28,451,014	28,425,637	28,425,637
Interests on Issue	(25,033,490)	-25,033,490	(25,033,490)	(25,033,490)
Payables	(36,300)	-36,300	(48,611)	(48,611)
Provisions	(3,510)	-3,510	(3,532)	(3,532)
	<u>4,137,152</u>	<u>4,137,152</u>	<u>4,492,785</u>	<u>4,492,785</u>

The net fair value of all other assets and liabilities approximate their carrying values.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2009

#### 16. RELATED PARTIES

The Responsible Entity of Quantum Property Syndicate No.12 is daVinci Funds Management Ltd, whose ultimate holding company is Davinci Advisors Australia Pty Ltd. The following transactions have taken place with the Responsible Entity, Davinci Advisors Australia Pty Ltd and its controlled entities and other related parties, on normal commercial terms, during the year ended 30 June 2009.

#### FUND MANAGEMENT FEE

The Responsible Entity is entitled to an annual fund management fee for managing and administering the Fund at a rate being the greater of either;

- 7% per annum of gross income of the Fund for the year, or
- 0.75% per annum of the cost of the real estate increased by CPI.

Fund management fees paid or provided for, for the current year amounted to \$213,375 (2008: \$213,375).

#### RESPONSIBLE ENTITY INTEREST

The Responsible Entity acts as a Responsible Entity for the Quantum Property Trust No.12. As at 30 June 2009, Quantum Property Trust No.12 held 6,258,372 (2008: 6,258,372) interests in the Fund being a 25% interest in the Fund. The distributions paid or payable to the Quantum Property Trust No.12 for the current year amount to \$482,044 (2008: \$479,615).

#### DIRECTORS

The Directors of daVinci Funds Management Ltd during the year were:

Name	Date of Appointment	Number of Interests held
Peter Gribble	Appointed 1 April 1999	391,148
JoAnna Fisher	Appointed 1 October 2005	-
Joe Gooi	Appointed 16 February 2009	-
James Maitland	Appointed 9 April 2002	391,148
	Resigned 16 February 2009	

From time to time Directors of the Responsible Entity, or their related entities, may invest or withdraw from the Fund. These transactions are on the same terms and conditions as those entered into by other Fund Members.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Fund since the end of the previous financial year and there were no material contracts involving Directors interests subsisting at year end.

#### 17. CUSTODIANS REMUNERATION

	30 June 2009	30 June 2008
Custodial services	13,987	14,122
	<b>13,987</b>	<b>14,122</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2009

**18. AUDITORS REMUNERATION**

	30 June 2009	30 June 2008
Audit and review of the financial report	16,500	13,500
Audit and review of the compliance plan	400	400
	<b>16,900</b>	<b>13,900</b>

**19. SIGNIFICANT EVENTS AFTER BALANCE DATE**

There has been no other matters or circumstances that has arisen since the end of the financial year that has significantly affected, or may affect the Funds operations in future financial years, the results of those operations or the Funds state of affairs in future financial years.

**20. NET ASSET BACKING PER INTEREST**

Basic net asset backing is calculated by dividing the Total Members Funds by the number of Ordinary Interests on issue. The number of Interests used in the calculation of Basic Net Asset Backing is 25,033,490 (2008: 25,033,490).

	30 June 2009	30 June 2008
Basic net asset backing per interest (cents)	16.53	17.95

**21. EARNINGS PER INTEREST**

Earnings per Interest is calculated by dividing the Net Profit Attributable to Members of the Fund by the weighted number of Ordinary Interests on issue during the year. The weighted average number of Interests used in the calculation of earnings per Interest is 25,033,490 (2008: 25,033,490).

	30 June 2009	30 June 2008
Basic earnings per Interest (cents)	(1.42)	(0.21)
Diluted earnings per Interest (cents)	(1.42)	(0.21)

**22. SEGMENT REPORTING**

The Fund operates in one business segment being retail property investment activities, and in one geographical segment being New South Wales, Australia.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

**23. OTHER REQUIRED INFORMATION**

**a) COMMENCEMENT DATE OF FUND**

The Fund was constituted on 20 September 2004.

**b) LIFE OF THE FUND**

The term of the Fund is six years from the date of execution of the constitution (dated 20 September 2004). This term may only be extended if greater than 75% of Members agree. The Fund must be terminated within twelve years of the execution of the constitution.

**c) BUYBACK OR REDEMPTION**

The Responsible Entity does not anticipate that it will ever be in a position to buy back or redeem any Interests in the Fund to Members unless all assets are sold and are all in cash.

**d) BORROWINGS**

Under the constitution the Responsible Entity has the power to arrange loans for the Fund. The Responsible Entity does not intend to borrow more than 75% of the value of the assets of the Fund and such loans will be limited solely to the assets of the Fund.

## DIRECTORS DECLARATION

### DIRECTORS DECLARATION

The Directors of daVinci Funds Management Ltd, as Responsible Entity of the Quantum Property Syndicate No.12 (the "Fund"), declares that they are of the opinion that:

1. the Financial Statements and notes of the Fund are in accordance with the Corporations Act 2001, including:
  - a. giving a true and fair view of the Funds financial position as at 30 June 2009 and of the performance as represented by the results of the operations and the cash flows for the year ended on that date; and
  - b. complying with Accounting Standards and 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; and
3. the registered Fund has operated in accordance with the provisions of the constitution; and
4. the register of Members has, during the year ended 30 June 2009, been properly drawn up and maintained so as to give a true account of the Members of the Fund

Signed in accordance with a resolution of the Directors

Peter Gribble  
Chairman  
daVinci Funds Management Ltd

Sydney, 19 October 2009



PASCOE WHITTLE

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## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF QUANTUM PROPERTY SYNDICATE NO. 12

### Report on the Financial Report

We have audited the accompanying financial report of Quantum Property Syndicate No. 12, a managed investment scheme, which comprises the balance sheet as at 30 June 2009, the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### *Directors' Responsibility for the Financial Report*

The directors of the responsible entity, DaVinci Funds Management Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

# INDEPENDENT AUDIT REPORT



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

## *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

## *Auditor's Opinion*

In our opinion the financial report of Quantum Property Syndicate No. 12 is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the registered scheme's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

**PASCOE WHITTLE**  
Chartered Accountants

A handwritten signature in blue ink, appearing to read 'John S Pascoe', is written over a blue line.

**JOHN S PASCOE**  
Sydney

20 October 2009