



Hillview
Properties

Hillview Properties Limited

Annual Report for the
Year Ended 30 June 2018

18



CORPORATE DIRECTORY

REGISTERED OFFICE

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AUDITOR

Armada Audit Services Pty Ltd
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About this report

The 2018 annual report of Hillview Properties Limited includes statement of account summary, along with the Directors' reports for the financial year 2018.

An interactive version of the annual report is available from on request.

If you would like to have a copy of the annual report mailed to you, contact AustAsia Group on 08 9227 6300.

DIRECTORS' REPORT

The director(s) present their report on Hillview Properties Limited for the financial year ended 30 June 2018.

DIRECTORS

The following persons were directors of Hillview Properties Limited at any time during or since the end of the year are:

- Mr Sydney Chesson
- Mr Simon Chesson
- Mrs Jeanette Chesson

INFORMATION ON DIRECTORS

At the date of this Annual Report, the Board of Directors have not established any specialist committees to take on specific roles and duties of the Board. As such, there are no special responsibilities assigned to any one Director.

The following information is provided in relation to the Directors of the Company:

Sydney Chesson, Chairman

M.B.A, C.R.E.M, C.S.M, F.A.I.C.D

Mr Chesson has been awarded a Master of Business Administration degree from the University of Notre Dame Australia, where he was admitted to the Vice Chancellors list for academic excellence. He is a licensed real estate agent and business broker, and a licensed finance broker. He has extensive experience in importing and exporting, production and manufacturing. He has over 30 years experience in real estate and over 40 years experience in business and commercial activities.

As a Fellow of the Australian Institute of Company Directors, Mr Chesson has considerable experience as a Director of listed and unlisted public companies, unlisted property trusts, and several private companies.

Simon Chesson, Finance Director

M.B.A (UWA), CPA, CFP, B.Comm, C.S.M, F Fin

Mr Simon Chesson has been awarded the degrees of Master of Business of Administration, and a Bachelor of Commerce. He is a qualified Certified Practising Accountant, a qualified Certified Financial Planner, and a fellow of Financial Service Institute of Australasia.

Mr Simon Chesson has over 20 years experience in business, accounting, and the property industry. He has extensive experience as a Director and company secretary of numerous public and private companies.

Jeanette Chesson, Director

Mrs Chesson has over 30 years experience in the property and financial services industries. She is a Director of several private companies and has extensive experience in property syndication and the administration of property trusts.

DIRECTOR'S INTERESTS

At the date of this Report, the Directors had the following number of shares in Hillview Properties Ltd Fund:

Ordinary Shares

	Direct Holding	Indirect Holding
Sydney Chesson	Nil	53,615
Simon Chesson	Nil	34,618
Jeanette Chesson	Nil	53,615

The Directors hold 10.00% indirectly of Ordinary shares on issue.

PREFERENCE SHARES

There are 6,033,783 Preference Shares held in Hillview Properties Limited. These Preference Shares are all owned by related entities controlled by Mr Sydney Chesson and Mrs Jeanette Chesson.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

During the year the principal activities of the Company consisted of investment in properties.

The Company holds parcels of land located in Augusta, Western Australia.

OPERATING RESULTS

The profit/(loss) of the company after providing for income tax amounted to (\$9,394).

Dividends paid or declared since the start of the financial year are as follows:

No Dividends were paid in the financial year.

REVIEW OF OPERATIONS

Current Status:

The Directors recently obtained a valuation for the property of in excess of \$14m. The financials for 30 June 2018 reflect that valuation.

Support by Directors of Hillview Properties Limited:

The Directors of Hillview, although under no obligation to provide financial support to the company, has provided financial support since the Augusta Properties were first acquired by the Fund and the company, being summarised as follows:

- (i) Support of the Debt secured by the properties;
- (ii) Payment of consultants to allow for initial studies to be undertaken within the properties;
- (iii) Payment of ongoing rates, taxes and other property outgoings.

Future of Properties & the Fund:

The future of the properties, in the opinion of the Directors, is as follows:

- (i) The existing zoning allows for low impact tourism. There is currently very little tourism in Augusta, and the property is adjacent to the Augusta Golf Course;
- (ii) A full rezoning to allow for full urban development as was proposed in the original PDS is unlikely to occur for another 10 years.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS/STRUCTURE

On the 28 March 2018, the Unit holders of the Augusta Development Fund agree to and hereby authorize AREIL and Hillview Properties Limited to issue share in Hillview Investments Limited in exchange pro-rata for each and every Unit in AREIT Augusta Development Fund.

Thereafter each Unitholder is now a shareholder of Hillview Properties Limited, which shall be the beneficial owner of the parcels of land located in Augusta for the benefit of its shareholders.

ENVIRONMENT ISSUES

The Directors of the Hillview Properties Limited are satisfied that adequate systems are in place for the management of its environmental responsibility and compliance with the various license requirements and regulations. The Directors are not aware of any breaches to these requirements and to their best knowledge, all activities have been undertaken in compliance with the environmental requirements.

SHAREHOLDER INTERESTS IN THE COMPANY

The movement in shares on issue in the company during the year is set out below:

DIRECTORS' REPORT

Ordinary Shares	30 June 2018
Shares on issue at beginning of year	-
Shares issued during year	3,912,000
Shares redeemed during year	-
Shares on issue at the end of the year	3,912,000

Redeemable Preference Shares	30 June 2018
Shares on issue at beginning of year	-
Shares issued during year	6,033,783
Shares redeemed during year	-
Shares on issue at the end of the year	6,033,783

PROCEEDINGS ON BEHALF OF THE COMPANY

At the date of this Report, there are no proceedings on behalf of the company.

DIRECTOR'S AUTHORISATION

This Report is made in accordance with a resolution of the Board of Directors of the Hillview Properties Limited and is signed by authority for and on behalf of the Directors by:



Simon Chesson

Director

Dated 30 October 2018



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**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF
THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF HILLVIEW PROPERTIES LIMITED**

I declare that, to the best of my knowledge and belief, during year ended 30 June 2018 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.

ARMADA AUDIT SERVICES PTY LTD

G.V. Wovodich

Registered Company Auditor No. 13421

Dated this 31 day of October 2018 at Perth, Western Australia.

TAX & ACCOUNTING | AUDITING | BUSINESS MANAGEMENT | BUSINESS CONSULTING | FINANCIAL PLANNING | LENDING

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INCOME STATEMENT

for the year ended 30 June 2018

	Notes	2018 \$
Total income		-
Expenses		
Property expenses		9,394
Total expenses		9,394
Profit/(loss) before prior year losses		(9,394)
Profit/(loss) before taxation		(9,394)
Net profit after tax		(9,394)
Net profit after dividends paid		(9,394)

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached compilation report.

BALANCE SHEET

as at 30 June 2018

	Notes	2018 \$
Assets		
Non current assets		
Property investment	2	14,001,556
Planning & development		200,978
Total non-currents assets		14,202,534
Total assets		14,202,534
Liabilities		
Interest bearing liabilities		1,442,460
Total trade creditors and other payables		1,442,460
Non-current liabilities		
Interest bearing liabilities		2,823,685
Total non-current liabilities		2,823,685
Total liabilities		4,266,145
Net assets		9,936,387
Equity		
Current year earnings		(9,394)
Share Capital		
Preferences shares		6,033,783
Ordinary share capital		3,912,000
Total Share Capital		9,945,783
Total equity		9,936,389

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached compilation report.

STATEMENT OF CASH FLOW

for the year ended 30 June 2018

	Notes	2018 \$
Operating activities		
Cash payments from other operating activities		-
Net cash flows from operating activities		-
Investing activities		
Proceeds from sales of property, plant and equipment		-
Payment for property, plant and equipment		-
Other cash items from investing activities		-
Net cash flows from investing activities		-
Financing activities		
Loans from related parties		-
Net cash flows from financing activities		-
Other activities		
Other activities		-
Net cash flows from other activities		-
Net cash flows		-
Cash and cash equivalents		
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		-
Cash at the end of the period		-

The above Statements of Cash Flow should be read in conjunction with the accompanying notes.

APPROPRIATION STATEMENT

for the year ended 30 June 2018

	2018	2017
Notes	\$	\$
Retained Earnings after Appropriation		
Profit/(loss) before taxation	(9,394)	-
Retained earnings after appropriation	(9,394)	-

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached compilation report.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1a Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with the requirements of the Corporations Act 2001 to prepare a financial report. This financial report has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers the Hillview Properties Limited as an economic entity. Hillview Properties Limited established and resident in Australia. Its registered office is AustAsia House, 412 Newcastle Street, West Perth WA 6005.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or changes to the values of specific costs, except to the extent that the company has been revalued. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

1b Revenue recognition

Rent

Rent is brought to account on a cash basis.

Interest

Interest is brought to account on an accruals basis and, if not received at the balance date, is reflected in the Statement of Financial Position as a receivable.

Disposal of assets

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of the disposal and the proceeds on disposal and is included in the Income Statement in the year of disposal.

1c Expenses

Property expenses

Property expenses include rates, taxes, repairs and maintenance, and other property outgoings incurred in relation to the investment properties, where such expenses are the responsibility of the company.

Borrowing costs

Borrowing costs include interest expense and other costs incurred in respect of obtaining finance.

Management fees

In accordance with the provisions of the company constitution, the company has engaged a party related to the Directors to manage the company on the same basis on the management fees. The company is entitled to charge up to 1.1% including GST, of the gross asset value of the company for annual management and administration of the company. For the year ending 30 June 2018, the management fees agreed to withhold charging the management fee until the company generates a profit. Pursuant to the constitution, the management fees is responsible to reimburse pocket expenses, management accounting and general compliance costs.

1d Taxation

The income tax expense for the year comprises current income tax expense. The company does not apply deferred tax. Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at 30 June 2018. Current tax liabilities are therefore measured at the amounts expected to be paid to the relevant taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

1e Investments

External valuations of the individual investments are carried out in accordance with the company constitution. Investments held are originally recognised at cost, which includes transaction costs. They are subsequently measured at fair value which is equivalent to their market bid price at the end of the reporting period. Movements in fair value are recognised through an equity reserve.

1f Cash

For the purposes of the Cash Flow Statement, cash includes deposits at call, which are readily convertible to cash on hand and are subject to an insignificant risk of change in value.

2. REVENUE FROM SHARES ACTIVITIES

2a Revenue

	2018
	\$
Interest Income	-
Total revenue	-

2b Other Income

	2018
	\$
Accommodation at Augusta	-
Total other income	-

3. PROPERTY EXPENSES

	2018
	\$
Land tax	3,206
Other property expenses	6,188
Total property expenses	9,394

4. OTHER EXPENSES FROM ORDINARY ACTIVITIES

	2018
	\$
Accounting	-
ASIC lodgement fees	-
Bank fees	-
Disbursements	-
Total property expenses	-

5. MANAGEMENT FEES

	2018
	\$
Management fees	-
Total management fees	-

NOTES TO THE FINANCIAL STATEMENTS

6. CASH AND CASH EQUIVALENTS

	2018
	\$
Cash bank	-
Total cash assets	-

7. TRADE AND OTHER RECEIVABLES

	2018
	\$
Receivable	-
Total cash assets	-

8. PROPERTY INVESTMENTS

	2018
	\$
Land at fair value	
Lot 1393, Augusta	2,500,000
Lot 814, Augusta	11,500,000
Acquisition costs	1,556
Total investments in property	14,001,556

These notes should be read in conjunction with the attached compilation report.

Property Valuation

Valuer's name and qualifications – C Loughnan, AAPI, Licensed Valuer No. 440, of Burgess Rawson Valuations of investment properties – The basis of valuations of investment properties is fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction, based on current process in an active market for similar properties in the same location and condition and subject to similar leases.

Property	ACQ	Cost including		Date	Valuation		Book Value
		ACQ	Acquisition Costs		Amount	Valuer	2018
		\$			\$		\$
Parent entity							
Lot 814 Hillview Rd, Augusta	28 March 2018	11,500,000		24 June 2017	11,500,000	C Loughnan	11,500,000
Lot 1393 Creswell Rd, Augusta	28 March 2018	2,500,000		24 June 2017	2,500,000	C Loughnan	2,500,000
Total investment properties		14,000,000			14,000,000		12,841,417

Properties independently valued in the past 12 months were based on independent assessments by a member of the Australian Property Institute.

Properties not independently valued during the past 12 months are carried at directors' valuation or cost at 30 June 2018. All other properties are carried at independent valuation plus capital expenditure incurred since the date of valuation.

NOTES TO THE FINANCIAL STATEMENTS

9. CURRENT LIABILITIES - INTEREST BEARING LIABILITY

	2018 \$
Loan	1,442,460
Total interest bearing liabilities	1,442,460

The value of interest paid by parties related to the Directors were:

	2018 \$
Interest paid – related party	100,657
Total interest bearing liabilities	100,657

10. EQUITY - SHAREHOLDER ACCOUNT

Ordinary Shares

a Value of shares

	2018 \$
Opening balance	-
Shares issued during the year	3,912,000
Shares redeemed during the year	-
Closing balance	3,912,000

b Number of shares

	2018 \$
Opening balance	-
Shares issued during the year	3,912,000
Shares redeemed during the year	-
Closing balance	3,912,000

Redeemable Preference Shares

a Value of shares

	2018 \$
Opening balance	-
Shares issued during the year	6,033,783
Shares redeemed during the year	-
Closing balance	6,033,783

NOTES TO THE FINANCIAL STATEMENTS

b Number of shares

	2018 \$
Opening balance	-
Shares issued during the year	6,033,783
Shares redeemed during the year	-
Closing balance	6,033,783

The redeemable preference shares are redeemable at the discretion of the Directors. There is a cumulative distribution of 9% per annum payable upon full redemption of the units.

c Share Capital

	2018 \$
Value of shares	9,945,783
Capital raising costs	-
Valuation	-
Total equity	9,945,783

11. EQUITY - CARRIED FORWARD LOSS

	2018 \$
Carried forward loss	-
Current year earnings	(9,394)
Closing balance	(9,394)

12. NET CASH FLOW FROM OPERATING ACTIVITIES

	2018 \$
Reconciliation of cash	
Cash at the end of the financial year, as shown in the Cash Flow Statement is reconciled to the related items in the Income Statement as follows:	
Cash assets	-
Net cash	-

	2018 \$
Reconciliation of cash outflow from operating activities:	
Net profit (not including capital gain)	(9,394)
Net gains on disposal of financial assets	-
Net cash	(9,394)

13. FINANCIAL INSTRUMENTS

NOTES TO THE FINANCIAL STATEMENTS

13a Credit risk

Credit risk is the risk that a tenant will fail to perform contractual obligations including honoring the term of the lease agreements either in whole or in part, under a contract.

On-statement of financial position financial instruments:

The credit risk on financial assets of the company, which have been recognised in the statement of financial position is generally the carrying amount.

13b Net fair value of financial assets and liabilities

Market risk is the risk that the value of the company's investment portfolio will fluctuate as a result of changes in valuations. This risk is managed by ensuring that all activities are transacted in accordance with overall investment strategy and within approved limits. Market risk analysis is conducted regularly on a total portfolio basis.

On-statement of financial position financial instruments:

The net fair value of cash and non-interest bearing monetary financial assets and liabilities approximate their carrying value.

13c Liquidity and cash flow risk

Liquidity risk is the risk that the company will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments. Cash flow risk is the risk that the future cash flows will fluctuate. The risk management guidelines adopted are designed to minimise liquidity and cash flow risk through:

- ensuring that there is no significant exposure to any individual creditors; and
- applying limits to ensure there is no concentration of liquidity risk to a particular counter party or market segment.

13d Interest rate risk exposure

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The company exposure to interest rate risk and the weighted average effective interest rate (for each class of financial asset and financial liability, and each maturity bracket including floating assets and liabilities) is set out in the table below:

	Note	Floating interest rate 2018 \$	Fixed interest rate 2018 \$	Non-interesting bearing 2018 \$	Total 2018 \$
Financial assets					
Cash assets	6	-	-	-	-
Trade & other receivables	7	-	-	-	-
Total financial assets		-	-	-	-
Financial liabilities					
Trade creditors		-	-	-	-
Related party loans		-	-	2,823,685	2,823,685
Interest bearing liabilities	9	1,442,460	-	-	1,442,960
Total financial liabilities		1,442,460	-	2,823,685	4,266,145
Net financial liabilities		1,442,460	-	2,823,685	4,266,145

NOTES TO THE FINANCIAL STATEMENTS

14. AUDITORS REMUNERATION

During the year the auditor earned the following remuneration:

	2018
	\$
Armada Audit Services	-
Audit of financial reports of the entity	-
Total remuneration of auditors	-

15. RELATED PARTY TRANSACTIONS

15a Directors

The names of directors of the company at any time during the financial year were as follows:

- 1) Mr Sydney James Chesson, Chairman & Managing Director
- 2) Mr Simon James Sydney Chesson, Financial Director
- 3) Mrs Jeanette Chesson, Executive Director

15b Shareholding

Associates of the directors hold directly, indirectly or beneficially as at the reporting date 2018 ordinary shares being 9.86% of the total ordinary shares on issue.

There are 6,033,783 Preference Shares held in the company. These Preference Shares are all owned by related entities controlled by Mr Sydney Chesson and Mrs Jeanette Chesson.

15c Transactions with related parties during the financial year were as follows:

All related party transactions are conducted on normal commercial terms and conditions. There were a number of transactions between the company and the directors and related entities. These are detailed as follows (excluding GST).

	2018
	\$
Related Party Transactions	-
Management fees	-
Total related party transactions	-

The value of interest paid by entities related to the directors of the company were as follows:

	2018
	\$
Interest paid - Singh charity	100,658
Total interest paid	100,658

Entities related to the directors assisted during the year by paying interest of the loan.

15d Management fees

The management fees has agreed to defer charging the management fees for the year ending 30 June 2018.

16. EVENTS OCCURRING AFTER REPORTING DATE

There have been one matters or circumstances that have arisen since the end of the financial year, which significantly affect or may affect the operations of the Trust.

NOTES TO THE FINANCIAL STATEMENTS

17. CONTINGENT LIABILITY

The company has no major capital commitment and has no known contingent liability as at 30 June 2018.

DIRECTORS' DECLARATION

The director(s) have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The director(s) of the company declare that:

1. The financial statements and notes, present fairly the company's financial position as at 30 June 2018 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
2. In the director(s)' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Director(s).



Simon Chesson

Director

Dated 30 October 2018



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**Independent Auditor's Report
 To the Directors of Hillview Properties Limited**

on the audit of the financial report

Opinion

We have audited the financial report of Hillview Properties Limited ("the company") which comprises the statement of financial position as at 30 June 2018, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of client name is in Accordance with the Corporation Act 2001, Including

- gives a true and fair view of the Entity's financial position as at 30 June 2018, and its financial performance and
- Complying with Australian Accounting Standards to the extent described in Note 1 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 Entity in accordance with the auditor independence requirements in accordance with independence requirements of the Corporations Act 2001 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 given to directors of the company, would be in the same terms if given 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.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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, individually or in the 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/auditors_responsibilities/ar1.pdf. This description forms part of auditor's report.

ARMADA AUDIT SERVICES PTY LTD



GRAEME WOVDICH
Registered Company Auditor NO.13421

31 October 2018

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