**601 Coronation Drive Fund**

**ARSN 610 941 654**

Annual report for the financial year ended 30 June 2019

## Index to the Financial Statements

## Directors' Report

The directors of One Managed Investment Funds Limited (ACN 117 400 987; AFSL 297 042) ("OMIFL" or the "Responsible Entity"), the responsible entity of 601 Coronation Drive Fund (ARSN 610 941 654) (the "Fund"), submit the financial report of the Fund for the year ended 30 June 2019 (the "reporting period").

### Responsible Entity

The registered office and principal place of business of the Responsible Entity is Level 11, 20 Hunter Street, Sydney NSW 2000.

### Information about the Directors and Senior Management

The names of the directors and company secretaries of the Responsible Entity who held office during the reporting period and up to the date of this report are:

| Name | Title |
|---|---|
| Frank Tearle | Executive Director and Company Secretary |
| Sarah Wiesener | Executive Director and Company Secretary (appointed as a director on 26 October 2018) |
| Justin Epstein | Non-Executive Director from 1 January 2019 (Executive Director to 31 December 2018) |
| Elizabeth Reddy | Non-executive Director (resigned on 26 October 2018) |

### Principal Activities

The Fund is an unlisted registered managed investment scheme, constituted and domiciled in Australia.

The principal activity of the Fund is to manage an investment property to generate rental income.

The Fund did not have any employees during the year.

#### *Distributions*

In respect of the financial year ended 30 June 2019, a final distribution of 1.9945 cents per unit has been paid to unitholders (2018: 1.9945 cents per unit).

For details of distributions paid and payable during the year, refer to note 13 of the financial statements.

#### *Value of Assets and Units Issued*

The total value of the Fund's assets as at 30 June 2019 was $48,624,974 (2018: $47,141,161). The total number of units on issue as at 30 June 2019 was 25,063,915 (2018: 25,063,915).

## Directors' Report (continued)

### Review of Operations

*Results*

The performance of the Fund, as represented by the results of its operations for the year, was as follows:

| | Year ended 30 June 2019 $ | Year ended 30 June 2018 $ |
|---|---|---|
| Rental and other property income | 4,452,952 | 4,484,035 |
| **Operating income** | **4,452,952** | 4,484,035 |
| Rental property expenses | (953,831) | (835,733) |
| Administration and other expenses | (470,164) | (428,526) |
| **Operating expenses** | **(1,423,995)** | (1,264,259) |
| **Earnings before interest and tax** | **3,028,957** | 3,219,776 |
| Interest income | 19,296 | 26,415 |
| Finance costs | (1,139,363) | (1,105,597) |
| **Net interest expense** | **(1,120,067)** | (1,079,182) |
| **Operating earnings attributable to unitholders** | **1,908,890** | 2,140,594 |
| **Non-operating items** | | |
| Unrealised fair value gain/(loss) on investment property | 595,043 | (118,424) |
| Unrealised fair value (loss)/gain on financial instruments designated at fair value through profit and loss | (24,399) | 6,232 |
| **Total non-operating items** | **570,644** | (112,192) |
| **Net profit attributable to unitholders** | **2,479,534** | 2,028,402 |

The inclusion of operating earnings as a measure of the Fund's profitability provides financial information that is used internally for evaluating performance, making strategic decisions and determining distributions during the year.

### Other Matters

To comply with Government Legislation in Queensland, a fire engineer has been appointed to inspect the Fund's investment property at 601 Coronation Drive, Toowong (the "Property"), to assess the façade cladding to determine if flammable aluminium composite panels ("ACPs") are present.

The preliminary report indicates that there is the possibility that ACPs have been installed at the Property. A preliminary allowance to replace the ACPs of $430,000 has been established which will be funded by an ACP capital expenditure facility in the loan re-financing which may be drawn-on if required.

***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 during the year are disclosed in note 14 of the financial statements.

The fees were paid out of the Fund's assets during the year.

The number of interests in the Fund held by the Responsible Entity and its associated entities as at the end of the financial year are disclosed in note 14 of the financial statements.

***Significant Changes in State of Affairs***

In the opinion of the directors, other than the matters identified in this report, there were no significant changes in the state of affairs of the Fund that occurred during the financial year.

## Directors' Report (continued)

***Subsequent Events***

On 12 August 2019, the term of the debt facility was extended to 16 September 2019 while the investment manager of the Fund (the "Manager") finalised a new 2 year debt facility with another loan provider, ING Bank. The new facility will result in a significantly lower interest rate compared to the current facility. To support the refinancing, an independent valuation of the investment property was obtained dated 25 July 2019 which valued the Property at $47,800,000.

Other than the above, there has been no matter or circumstance occurring subsequent to the year ended 30 June 2019 that has significantly affected, or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

***Likely Developments***

The Fund will continue to be managed in accordance with the Constitution and investment objectives as detailed in the Product Disclosure Statement.

***Environmental Regulation and Performance***

Other than as disclosed elsewhere, the operations of the Fund are not subject to any particular or 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 of Directors, Officers and Auditors***

During or since the financial year, the Fund has not indemnified or made a relevant agreement to indemnify an officer of the Responsible Entity or auditor of the Fund or any related corporate body against a liability incurred by an officer of the Responsible Entity or auditor of the Fund. In addition, the Fund has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer of the Responsible Entity or auditor of the Fund.

***Auditor's Independence Declaration***

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 4.

On behalf of the directors of the Responsible Entity, One Managed Investment Funds Limited.

Frank Tearle
Director
24 September 2019

**Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001**

As auditor for the audit of 601 Coronation Drive Fund for year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor's 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.

Dated at Sydney the 24th day of September 2019

ESV

**ESV Accounting and Business Advisors**

Tim Valtwies

**Tim Valtwies**
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## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019

| | Notes | **Year ended 30 June 2019 $** | Year ended 30 June 2018 $ |
|---|---|---|---|
| **Revenue** | | | |
| Rental and other property income | 4 | 4,452,952 | 4,484,035 |
| Interest income | | 19,296 | 26,415 |
| Unrealised fair value gain/(loss) on investment property | 10 | 595,043 | (118,424) |
| Unrealised fair value (loss)/gain on financial instruments designated at fair value through profit and loss | | (24,399) | 6,232 |
| **Total revenue** | | **5,042,892** | 4,398,258 |
| **Expenses** | | | |
| Finance costs | 5 | 1,139,363 | 1,105,597 |
| Administration expenses | 6 | 380,692 | 375,234 |
| Audit fees | 8 | 21,400 | 17,348 |
| Professional fees | | 46,530 | 15,711 |
| Insurance expense | | 21,542 | 20,233 |
| Rental property expenses | 7 | 953,831 | 835,733 |
| **Total expenses** | | **2,563,358** | 2,369,856 |
| **Net income attributable to unitholders** | | **2,479,534** | 2,028,402 |
| **Net income for the year** | | **2,479,534** | 2,028,402 |
| **Other comprehensive income** | | - | - |
| **Total comprehensive income attributable to unitholders** | | **2,479,534** | 2,028,402 |

*The accompanying notes to the financial statements should be read in conjunction with this Statement.*

## Statement of Financial Position as at 30 June 2019

| | Notes | 30 June 2019 $ | 30 June 2018 $ |
|---|---|---|---|
| <u>Assets</u> | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 16(a) | 953,750 | 1,063,263 |
| Trade and other receivables | | 8,106 | - |
| Derivative financial instruments | 9 | - | 24,399 |
| Prepayments | | 102,455 | 93,178 |
| **Total current assets** | | **1,064,311** | 1,180,840 |
| **Non-current assets** | | | |
| Investment property | 10 | 47,560,663 | 45,960,321 |
| **Total non-current assets** | | **47,560,663** | 45,960,321 |
| **Total assets** | | **48,624,974** | 47,141,161 |
| <u>Liabilities</u> | | | |
| **Current liabilities** | | | |
| Trade and other payables | 11 | 696,779 | 687,386 |
| Interest bearing liabilities | 17 | 25,860,000 | - |
| **Total current liabilities** | | **26,556,779** | 687,386 |
| **Non-current liabilities** | | | |
| Interest bearing liabilities | 17 | - | 24,860,000 |
| **Total non-current liabilities** | | **-** | 24,860,000 |
| **Total liabilities (excluding net assets attributable to unitholders)** | | **26,556,779** | 25,547,386 |
| **Net assets attributable to unitholders** | 12 | **22,068,195** | 21,593,775 |

*The accompanying notes to the financial statements should be read in conjunction with this Statement.*

## Statement of Changes in Net Assets Attributable to Unitholders for the year ended 30 June 2019

| | Notes | **Year ended 30 June 2019 $** | Year ended 30 June 2018 $ |
|---|---|---|---|
| Opening balance | | 21,593,775 | 21,486,929 |
| Units issued during the year | | - | 6,206,000 |
| Total comprehensive income | | 2,479,534 | 2,028,402 |
| Redemptions for the year | | - | (6,125,000) |
| Distributions for the year | 13 | (2,005,114) | (2,002,556) |
| **Net assets attributable to unitholders** | 12 | **22,068,195** | 21,593,775 |

*The accompanying notes to the financial statements should be read in conjunction with this Statement.*

## Statement of Cash Flows for the year ended 30 June 2019

| | Notes | **Year ended 30 June 2019 $** | Year ended 30 June 2018 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Rent received | | 4,626,776 | 4,293,333 |
| Interest received | | 18,659 | 27,052 |
| Finance costs paid | | (1,146,003) | (1,099,442) |
| Payments to suppliers | | (1,854,090) | (1,781,187) |
| Net cash provided by operating activities | 16(b) | **1,645,342** | 1,439,756 |
| **Cash flows from investing activities** | | | |
| Payments for capital improvements | | (749,742) | (472,748) |
| Net cash used in investing activities | | **(749,742)** | (472,748) |
| **Cash flows from financing activities** | | | |
| Proceeds from loans | | 1,000,000 | - |
| Proceeds from issuance of units | | - | 6,176,400 |
| Redemption of units | | - | (6,324,100) |
| Distributions paid to unitholders | | (2,005,113) | (2,000,783) |
| Net cash used in financing activities | | **(1,005,113)** | (2,148,483) |
| Net decrease in cash and cash equivalents | | (109,513) | (1,181,475) |
| Cash and cash equivalents at the beginning of the year | | 1,063,263 | 2,244,738 |
| **Cash and cash equivalents at the end of the year** | 16(a) | **953,750** | 1,063,263 |

*The accompanying notes to the financial statements should be read in conjunction with this Statement.*

## Notes to the Financial Statements

### 1. General Information

This financial report covers 601 Coronation Drive Fund (ARSN 610 941 654) (the "Fund") which is an unlisted registered managed investment scheme.

The responsible entity of the Fund is One Managed Investment Funds Limited (ACN 117 400 987; AFSL 297 042) ("OMIFL" or the "Responsible Entity"). The Responsible Entity's registered office and principal place of business is Level 11, 20 Hunter Street, Sydney NSW 2000.

The investment manager of the Fund is Capital Property Funds Pty Limited (ACN 162 323 506) (the "Manager").

The financial statements cover the period 1 July 2018 to 30 June 2019 (the "reporting period"). The comparative information encompasses the period 1 July 2017 to 30 June 2018.

The financial statements were authorised for issue by the directors of the Responsible Entity on the date the Directors' Declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

### 2. Adoption of New and Revised Accounting Standards and Interpretations

***(a) New and amended accounting standards and interpretations adopted from 1 July 2018***

The Fund has adopted AASB 9 and AASB 15 at 1 July 2018. AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. AASB 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue at a point in time or over time.

***(b) Changes in accounting policies***

**AASB 9 Financial Instruments**

The requirements of AASB 9 represent a significant change from AASB 139 Financial Instruments: Recognition and Measurement. The nature and effects of the key changes to the Fund's accounting policies resulting from the adoption of AASB 9 are summarised below.

***(i) Classification and measurement of financial assets and financial liabilities***

On 1 July 2018 (the date of initial application of AASB 9), management has assessed which business models apply to the financial assets held by the Fund and has classified its financial instruments into the appropriate AASB 9 categories.

AASB 9 requires that all financial liabilities be subsequently classified at amortised cost, except in certain circumstances. None of these circumstances apply to the Fund and accordingly there is no change to the classification of the Fund's payables and borrowings on adoption of AASB 9.

***(ii) Impairment of financial assets***

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income (FVOCI), but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139. The Fund has assessed the impact of the adoption of an ECL model under AASB 9 and there were no opening retained earnings adjustments on 1 July 2018 from the adoption.

***(iii) Derivatives and hedge accounting***

On 1 July 2018 (the date of initial application of AASB 9), the Fund has elected to adopt the new general hedge accounting model in AASB 9. There has been no impact with the adoption of AASB 9 on the Fund's derivatives.

## Notes to the Financial Statements

**2. Adoption of New and Revised Accounting Standards and Interpretations (continued)**
***(b) Changes in accounting policies (continued)***

***(iv) Accounting policies***
**Policy applicable from 1 July 2018**
AASB 9 contains three principal classification categories for financial assets:
- measured at amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit and loss (FVTPL).

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

**Financial assets at amortised cost**

**Loans and receivables**
Loans and receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method less any allowance under the ECL model.

All loans and receivables with maturities greater than 12 months after the balance date are classified as non-current assets.

**Recoverability of receivables**
At the reporting date, an assessment is made as to whether financial assets carried at amortised cost are 'credit-impaired'. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Fund recognises loss allowances at an amount equal to lifetime ECL on trade and other receivables. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the trade receivable and are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Fund in accordance with the contract and the cash flows that the Fund expects to receive). A default on trade receivables is when the counterparty fails to make contractual payments when they fall due and management determines that collection of the debt should no longer be pursued.

Analyses of the age of outstanding receivable balances are undertaken and historical default percentages are adjusted for other current observable data as a means to estimate lifetime ECL. Other current observable data may include:
- forecasts of economic conditions such as unemployment, interest rates, gross domestic product and inflation;
- financial difficulties of a counterparty or probability that a counterparty will enter bankruptcy; and
- conditions specific to the asset to which the receivable relates.

Debts that are known to be uncollectable are written off when identified.

The adoption of AASB9 has had no impact on the financial report of the Fund in the current reporting period or the prior reporting period.

## Notes to the Financial Statements

**2. Adoption of New and Revised Accounting Standards and Interpretations (continued)**
***(b) Changes in accounting policies (continued)***

**AASB 15 *Revenue from Contracts with Customers***
The requirements of AASB 15 replace AASB 118 Revenue and AASB 111 Construction Contracts. AASB 15 is based on the principle that revenue is recognised when control of goods or services are transferred to a customer. It contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine how much and when revenue is recognised. It applies to all contracts with customers except leases, financial instruments and insurance contracts. It requires reporting entities to provide users of financial statements with more informative and relevant disclosures.

***(i) Classification and measurement of revenue***
Revenue is recognised over time if:
• the customer simultaneously receives and consumes the benefits as the entity performs;
• the customer controls the asset as the entity creates or enhances it; or
• the seller's performance does not create an asset for which the seller has an alternative use and there is a right to payment for performance to date.

Where the above criteria is not met, revenue is recognised at a point in time.

The following table summarises the changes in terminology with respect to the timing of revenue recognition between AASB 111 and AASB 118 compared to AASB 15 and the new revenue recognition policies under AASB 15. From the Fund's assessment of when performance obligations are satisfied, there is no change in the timing of revenue recognition when comparing the previous accounting policies to those now under AASB 15.

| Type of Revenue | Description | Revenue recognition policy under AASB 111, AASB 17 and AASB 118 | Revenue recognition policy under AASB 15 |
|---|---|---|---|
| | | | |
| Recovery of property expenses | The costs associated with general building and tenancy operation from lessees in accordance with specific clauses within lease agreements are recovered. These are invoiced monthly based on an annual estimate. The consideration for the current month is due on the first day of the month. Revenue is recognised as the estimated costs are consumed by the tenant. Should any adjustment be required based on actual costs incurred, this is recognised in the statement of financial performance within the same reporting period and invoiced annually. | Recognised on an accruals basis based on the contract terms | Over time |

Changes in accounting policies resulting from the adoption of AASB 15 have been applied retrospectively. The adoption of AASB15 has had no impact on the recognition or measurement of the revenue for the Fund in the current reporting period or the prior reporting period.

There were no other new accounting standards adopted during the year which had a significant impact on the reported position and performance of the Fund.

## Notes to the Financial Statements

### 2. Adoption of New and Revised Accounting Standards and Interpretations (continued)

***(c) New accounting standards and interpretations issued but not yet adopted***

The following standards and amendments to standards are relevant to the Fund.

| Reference | Description | Application of Standard |
|---|---|---|
| AASB 16 Leases | "AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. AASB 16 will change the way lessees account for leases by eliminating the current dual accounting model which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there will be a single, on-balance sheet accounting model that is similar to the current finance lease accounting. Where the entity is the lessee, this new treatment will result in recognition of a right of use asset along with the associated lease liability in the Statement of Financial Position and both a depreciation and interest charge in the Statement of Comprehensive Income. In contrast, lessor accounting for lease income is not expected to change with the adoption of the new standard other than the separation of service income from lease income for disclosure purposes as a result of the application of AASB 15.<br><br>The new leasing model requires the recognition of operating leases in the Statement of Financial Position. As the Fund operates mainly as a lessor, the standard is not expected to impact the Fund's accounting for leases other than the separation of service income from lease income for disclosure purposes as a result of the application of AASB 15." | 1 July 2019 |

There are no other standards that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

### 3. Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements.

***(a) Statement of Compliance***

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements and Interpretations of the Australian Accounting Standards Board ("AASB"), the Fund's Constitution and the Corporations Act 2001.

Compliance with Australian Accounting Standards, as issued by the AASB, ensures that the financial statements and notes thereto comply with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

***(b) Basis of Preparation***

This general purpose financial report is presented in Australian dollars and has been prepared using historical cost convention except for the investment property, which is measured at fair value and as disclosed in note 3(m) below.

## Notes to the Financial Statements

**3. Significant Accounting Policies (continued)**

***(c) Going Concern Basis***

Notwithstanding that the current liabilities exceed the current assets at 30 June 2019, this general purpose financial report has been prepared on a going concern basis because the Manager has a reasonable expectation that the re-financing of the loan over the investment property will be available for the medium term.

***(d) Revenue and Income Recognition***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured.

Rental income is brought to account on a straight-line basis over the lease term for leases with fixed rent review increases. In all other circumstances, rental income is brought to account on an accrual basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When the Fund provides lease incentives to tenants, the costs of the incentives are recognised over the lease term, on a straight-line basis, usually as a reduction in rental income.

Interest income is recognised as the interest accrues using the effective interest rate method.

Other income is recognised when the right to receive the revenue has been established.

All income is stated net of goods and services tax ("GST").

***(e) Expenses***

All expenses, including Responsible Entity's fees and custodian fees, are recognised in profit or loss on an accrual basis.

***(f) Cash and Cash Equivalents***

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities in the Statement of Financial Position.

***(g) Taxation***

Under the current tax legislation, the Fund is not subject to income tax provided that the unitholders are presently entitled to the income of the Fund and that the Fund entirely distributes its taxable income.

There is no income of the Fund to which the unitholders are not currently entitled. Additionally, the Fund's Constitution requires the distribution of the full amount of the net income of the Fund to unitholders each year. As a result, deferred taxes have not been recognised in the financial statements in relation to the differences between carrying amounts of assets and liabilities and their respective tax bases. This includes taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. In the event that the taxable gains are realised by the Fund, these gains would be included in the taxable income and assessable in the hands of the unitholders.

***(h) Distributions***

The Fund distributes its distributable income, calculated in accordance with the Fund's Constitution, Product Disclosure Statement (the "PDS") and applicable tax legislation, to unitholders who are presently entitled to the income under the Fund's Constitution. In accordance with the PDS, distributions will only be paid from the Fund's cash from operations and reserves. Refer to operating income presented in the Directors' Report.

## Notes to the Financial Statements

**3. Significant Accounting Policies (continued)**

***(i) Payables***

Trade and other payables are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services.

***(j) Receivables***

Trade receivables that have less than 90 day terms are recognised and carried at original cost less a credit loss allowance (provision for impairment of trade receivables) for any uncollectible amounts.

An assessment of recoverability of trade and other receivables is performed by the Manager on an ongoing basis. The Manager considers various factors to determine the recoverability of receivables including factors such as existence of bank guarantees, deposits held, recent payment patterns and correspondence with tenants.

The movements in the credit loss allowance account is recognised in the Statement of Profit or Loss and Other Comprehensive Income, either as gain or loss. When a receivable for which an allowance had been recognised becomes uncollectible in a subsequent year, it is written off against the credit loss allowance account.

***(k) Interest Bearing Borrowings***

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received. After the initial recognition, the interest bearing borrowings are measured at cost using the effective interest 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 reporting year.

Borrowing expenses including interest, issue and other transaction costs are expensed in the Statement of Profit or Loss and Other Comprehensive Income as incurred unless they relate to qualifying assets.

***(l) Investment Property***

The investment property principally comprises of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the Fund. The investment property is initially recognised at cost, including transaction costs, and are subsequently remeasured at fair value. Movements in fair value are recognised directly in the Statement of Profit or Loss and Other Comprehensive Income.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the property is derecognised.

The reported fair value of investment property reflects market conditions at the reporting date. While this represents the best estimates as at the reporting date, actual sale prices achieved may be higher or lower than the most recent valuation. This is particularly relevant in years of market illiquidity or uncertainty.

Any gains or losses arising from the changes in the fair value of investment properties are included in the Statement of Profit or Loss and Other Comprehensive Income in the reporting year in which they arise.

## Notes to the Financial Statements

### 3. Significant Accounting Policies (continued)

***(m) Derivative Financial Instruments***

The Fund is exposed to changes in interest rates and uses interest rate swaps to manage its exposure to interest rate risk.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at reporting date. The resulting gain or loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income immediately.

***(n) Goods and Services Tax***

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:

- where the amount of GST is not recoverable from the taxation authority, it is recognised as part of the acquisition of an asset or part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is recognised as a receivable or payable on the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST component of cash flows arising from financing activities which is recoverable from or payable to the taxation authority is classified as operating cash flow.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

GST is not payable in respect of the acquisition, disposal or withdrawal of units, nor in respect of any distributions paid by the Fund.

The ultimate GST treatment of the subsequent disposal of the property may differ from the treatment at acquisition and may depend upon the relevant circumstances at the time.

***(o) Use of Significant Accounting Estimates and Judgments***

The directors of the Responsible Entity evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Fund.

*Key estimate - fair value of investment property*

The Fund carries its investment property at fair value with changes in the fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income. In accordance with the Fund's PDS, the investment property will be independently revalued at least once every three years. It will also be revalued by an independent valuer in the intervening years if it is likely that there has been a material change in the value of the Property.

At the end of each reporting year, the directors of the Responsible Entity update their assessment of the fair value of the property, taking into account the most recent independent valuation. The key assumptions used in this determination are set out in note 3(m). If there are any material changes in the key assumptions due to changes in economic conditions, the fair value of the investment property may differ and may need to be re-estimated.

## Notes to the Financial Statements

### 4. Rental and Other Property Income

| | **Year ended 30 June 2019 $** | Year ended 30 June 2018 $ |
|---|---|---|
| Rent received | 3,778,521 | 3,558,038 |
| Outgoings received | 335,267 | 332,319 |
| Rental guarantee | 58,168 | 575,920 |
| Service income | 112,300 | - |
| Straight-line rental income | 168,696 | 17,758 |
| | **4,452,952** | 4,484,035 |

### 5. Finance Costs

| | **Year ended 30 June 2019 $** | Year ended 30 June 2018 $ |
|---|---|---|
| Interest on borrowings | 1,139,363 | 1,105,597 |
| | **1,139,363** | 1,105,597 |

### 6. Administration Expenses

| | **Year ended 30 June 2019 $** | Year ended 30 June 2018 $ |
|---|---|---|
| Management fees | 257,636 | 248,900 |
| Responsible Entity fees | 68,869 | 67,686 |
| Registry fees | 14,043 | 19,672 |
| Accounting and tax fees | 22,833 | 22,000 |
| Custody fees | 15,667 | 15,373 |
| ASIC and APIR fees | 1,644 | 1,603 |
| | **380,692** | 375,234 |

## Notes to the Financial Statements

### 7. Rental Property Expenses

| | **Year ended 30 June 2019 $** | Year ended 30 June 2018 $ |
|---|---|---|
| Property management fees | 40,200 | 40,200 |
| Energy fees | 252,725 | 251,525 |
| Cleaning | 58,161 | 63,134 |
| Land tax | 157,000 | 129,667 |
| Repairs and maintenance | 97,219 | 68,875 |
| Council rates | 71,527 | 65,917 |
| Water rates and charges | 54,499 | 55,089 |
| Fire levy | 31,255 | 28,720 |
| Fire and safety | 17,257 | 16,141 |
| Lift maintenance | 20,793 | 24,965 |
| Facilities management fee | 16,152 | 16,152 |
| Security fee | 4,775 | 5,435 |
| Other property expenses | 132,268 | 69,913 |
| | **953,831** | 835,733 |

### 8. Remuneration of Auditors

During the year, the following fees were paid or payable for services provided by the auditors for the Fund:

| | **Year ended 30 June 2019 $** | Year ended 30 June 2018 $ |
|---|---|---|
| Audit services - ESV Accounting and Business Advisors ("ESV') | 13,000 | 12,808 |
| Other assurance services – EY, compliance plan and other unrelated firms | 8,400 | 7,840 |
| | **21,400** | 20,648 |

### 9. Derivative Financial Instruments

The fair value of the derivative financial instruments is as follows:

| | **30 June 2019** | | 30 June 2018 | |
|---|---|---|---|---|
| | **Assets $** | **Liabilities $** | Assets $ | Liabilities $ |
| Interest rate swaps | - | - | 24,399 | - |
| | - | - | 24,399 | - |

The value of the interest rate swap as at 30 June 2019 was nil.

## Notes to the Financial Statements

### 10. Investment Property

| | **30 June 2019 $** | 30 June 2018 $ |
|---|---|---|
| Opening balance | 45,960,321 | 45,487,573 |
| Unrealised fair value gain/(loss) on investment property | 595,043 | (118,424) |
| Capital improvements | 761,761 | 472,748 |
| Deferred lease asset | 168,697 | 17,758 |
| Leasing fees | 74,841 | 100,666 |
| | **47,560,663** | 45,960,321 |

The investment property was valued on 31 August 2018 at $47,100,000 by an accredited and independent valuer. The valuation was arrived at by considering relevant sales and rental data of comparable properties as well as using the Capitalisation Approach and Discounted Cash Flow as valuation methods. The independent valuer has applied a passing capitalisation rate of 7.25% in assessing the valuation of the investment property. As at 30 June 2019, the carrying value of the investment property has been increased by capital expenditure and its fair value adjusted by the deferred lease asset and leasing fees. A new valuation dated 25 July 2019 was obtained which valued the Property at $47,800,000. As the date of the valuation is post financial year end, the carrying value of the Property has not been re-valued.

### 11. Trade and Other Payables

| | **30 June 2019 $** | 30 June 2018 $ |
|---|---|---|
| Distribution payable | 499,905 | 499,897 |
| Accrued charges | 87,102 | 70,560 |
| GST and withholding tax payable | 82,739 | 18,304 |
| Borrowing cost payable | 27,033 | 26,005 |
| Rental guarantee | - | 58,168 |
| Income in advance | - | 14,452 |
| | **696,779** | 687,386 |

## Notes to the Financial Statements

### 12. Net Assets Attributable to Unitholders

#### *(a) Movements in Units*

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

| | **Year ended 30 June 2019** | | Year ended 30 June 2018 | |
|---|---|---|---|---|
| | **No of Units** | **$** | No of Units | $ |
| Opening balance | 25,063,915 | 21,593,775 | 24,982,915 | 21,486,929 |
| Applications for units by unitholders | - | - | 6,206,000 | 6,206,000 |
| Redemptions of units by unitholders | - | - | (6,125,000) | (6,125,000) |
| Distributions paid to unitholders | - | (2,005,114) | - | (2,002,556) |
| Total comprehensive income | | 2,479,534 | - | 2,028,402 |
| **Closing balance** | **25,063,915** | **22,068,195** | 25,063,915 | 21,593,775 |

The Net Tangible Assets per unit as at 30 June 2019 was $0.8805 (2018: $0.8615).

#### *(b) Capital Management*

The Fund aims to invest to meet its investment objectives while maintaining sufficient liquidity to meet its commitments. The Responsible Entity regularly reviews the performance of the Fund, including asset allocation strategies, investment and operational management strategies, investment opportunities, performance review and risk management.

The Fund monitors capital through the analysis of a number of financial ratios, including the gearing ratio. The gearing ratio indicates the extent to which the Fund's assets are funded by borrowings. It gives an indication of the potential risks the Fund faces in terms of its level of borrowings due to an increase in interest rates or a reduction in asset values.

**Gearing Ratio**

| | **30 June 2019 $** | 30 June 2018 $ |
|---|---|---|
| Interest bearing liabilities | 25,860,000 | 24,860,000 |
| Total assets | 48,624,974 | 47,141,161 |
| **Gearing Ratio** | **53.2%** | 52.7% |

### 13. Distributions Paid and Payable

Each unit represents a right to an individual share in the Fund in accordance with the Constitution.

| | **30 June 2019** | | 30 June 2018 | |
|---|---|---|---|---|
| | **Cents per unit** | **$** | Cents per unit | $ |
| Distributions paid during the year | 6.0055 | 1,505,209 | 5.9953 | 1,502,659 |
| Distributions payable | 1.9945 | 499,905 | 1.9945 | 499,897 |
| | **8.0000** | **2,005,114** | 7.9898 | 2,002,556 |

## Notes to the Financial Statements

### 14. Related Party Transactions

Transactions with related parties have taken place at arm's length and in the ordinary course of business.

#### *(a) Transactions with Responsible Entity and its Associated Entities*

The key management personnel of the Responsible Entity for the financial year 30 June 2019 are:

| Name | Title |
|---|---|
| Frank Tearle | Executive Director and Company Secretary |
| Sarah Wiesener | Executive Director and Company Secretary (appointed as a director on 26 October 2018) |
| Justin Epstein | Non-Executive Director from 1 January 2019 (Executive Director to 31 December 2018) |
| Elizabeth Reddy | Non-executive Director (resigned on 26 October 2018) |

Holding of units by the Responsible Entity, key management personnel and their associated entities as at 30 June 2019 and 30 June 2018 are as follows:

**30 June 2019**

| | Unit class | Units held | % of the class |
|---|---|---|---|
| Frank Tearle | Ordinary | 150,000 | 0.60% |

30 June 2018

| | Unit class | Units held | % of the class |
|---|---|---|---|
| Frank Tearle | Ordinary | 150,000 | 0.60% |

No fees or remuneration was paid directly to the key management personnel from the Fund during the financial year ended 30 June 2019 (2018: $nil).

*Responsible Entity fees*

Responsible Entity fees of $68,869 plus GST were incurred for the year ended 30 June 2019 (2018: $67,686) of which $5,739 plus GST (2018: $5,621) was payable to One Managed Investment Funds Limited at the end of the year. Refer to note 6.

*Registry fees*

Registry fees of $14,043 plus GST were incurred for the year ended 30 June 2019 (2018: $19,672) of which $1,873 plus GST (2018: $1,825) was payable to One Registry Services Pty Limited, a wholly owned subsidiary of One Investment Group, at the end of the year. Refer to note 6.

*Custody fees*

Custody fees of $15,667 plus GST were incurred for the year ended 30 June 2019 (2018: $15,373) of which $1,304 plus GST (2018: $1,278) was payable to One Managed Investment Funds Limited, the responsible entity of the Fund, at the end of the year. Refer to note 6.

*Accounting and administration fees*

Accounting and administration fees of $22,833 plus GST were incurred for the year ended 30 June 2019 (2018: $22,000) of which $4,000 plus GST (2018: $3,167) was payable to Unity Fund Services Pty Limited, an associated entity of the Responsible Entity, at the end of the year. Refer to note 6.

There were no other fees paid / payable to the Responsible Entity for the financial year ended 30 June 2019.

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting year.

**14. Related Party Transactions (continued)**

***(b) Transactions with Manager and its Associated Entities***

The key management personnel of the Manager for the financial year ended 30 June 2019 are:

| Name | Title |
|---|---|
| Julia Novella | Head of Funds Management |
| Andrew Kerr | Executive Director and Company Secretary (appointed as Company Secretary 26 September 2018) |
| Joe Christie | Executive Director |
| John Coombs | Financial Controller and Company Secretary (retired 26 September 2018) |

Holding of units by the Manager, key management personnel and their associated entities as at 30 June 2019 and 30 June 2018 are as follows:

| | 30 June 2019 | | |
|---|---|---|---|
| | **Unit class** | **Units held** | **% of the class** |
| Andrew Kerr | Ordinary | 20,000 | 0.08% |
| Joe Christie | Ordinary | 20,000 | 0.08% |
| | | **40,000** | **0.16%** |

| | 30 June 2018 | | |
|---|---|---|---|
| | Unit class | Units held | % of the class |
| Andrew Kerr | Ordinary | 20,000 | 0.08% |
| Joe Christie | Ordinary | 20,000 | 0.08% |
| | | 40,000 | 0.164% |

No fees or remuneration was paid directly to the key management personnel from the Fund during the financial year ended 30 June 2019 (2018: $nil).

*Investment management fees*

Investment management fees of $257,636 plus GST were incurred for the financial year ended 30 June 2019 (2018: $248,900), of which $21,588 plus GST (2018: $20,717) was payable to the Manager at the end of the year. Refer to note 6.

There were no other fees paid/payable to the Manager for the financial year ended 30 June 2019.

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving key management personnel's interests existing at the end of the reporting year.

## 15. Financial Risk Management and Fair Value Measurement

The most important types of financial risk to which the Fund is exposed are market risk, credit risk and liquidity risk. The exposure to each of these risks, as well as the Fund's policies and processes for managing these risks is described below.

### *(a) Market Risk*

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and other price risk. The Fund's strategy on the management of market risk is driven by the Fund's investment objective. The Fund's market risk is managed as required by the Responsible Entity in accordance with the investment guidelines as outlined in the Fund's Constitution and the PDS.

*Cash flow and fair value interest rate risk*

The Fund's cash and cash equivalents and floating rate borrowings expose it to a risk of change in the fair value or future cash flows due to changes in interest rates.

The Fund primarily enters into interest rate derivatives to manage the associated interest rate risk.

The Fund's exposure to interest rate risk at reporting date, including its sensitivity to changes in market interest rates that were reasonably possible, is as follows:

| | **30 June 2019 $** | 30 June 2018 $ |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents – floating interest rate | 953,750 | 1,063,263 |
| Derivative financial instruments | - | 24,399 |
| **Financial liabilities** | | |
| Interest bearing liabilities – floating interest rate | (25,860,000) | (24,860,000) |
| **Net exposure to interest rate risk** | **(24,906,250)** | (23,772,338) |
| Notional principal swap balance | 22,600,000 | 22,600,000 |

Sensitivity of profit or loss to movements in market interest rates for financial instruments with fair value risk:

| | **30 June 2019 $ Decrease/(increase)** | 30 June 2018 $ Decrease/(increase) |
|---|---|---|
| Market interest rate increased by 100 basis points | 249,063 | 237,723 |
| Market interest rate decreased by 100 basis points | (249,063) | (237,723) |

## Notes to the Financial Statements

### 15. Financial Risk Management and Fair Value Measurement (continued)

#### *(b) Credit Risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

The Fund's maximum credit risk exposure at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at reporting date.

| | **30 June 2019 $** | 30 June 2018 $ |
|---|---|---|
| Trade and other receivables | 8,106 | - |
| Derivative financial instruments | - | 24,399 |
| Cash at bank | 953,750 | 1,063,263 |
| **Maximum exposure to credit risk** | **961,856** | 1,087,662 |

The value of the interest rate swap as at 30 June 2019 was nil.

Credit risk is managed and the losses which could arise from default by ensuring that parties to contractual arrangements have the appropriate credit rating, or do not show a history of defaults. Financial assets such as cash at bank are held with high credit quality financial institutions (rated equivalent A or higher by the major rating agencies). Tenants for the property are assessed for creditworthiness before commencing a lease, and if necessary rental guarantees are sought before a tenancy is approved. The Responsible Entity also performs a detailed review of both related and other parties before approving advancement of funds. This is performed to ensure that they will be able to meet interest and principal repayments.

All receivables are monitored by the Manager. If any amounts owing are overdue these are followed up and if necessary, allowances are made for debts that are doubtful.

At the end of the reporting year, there are no issues with the credit quality of financial assets that are either past due or impaired, and all amounts are expected to be received in full.

#### *(c) Liquidity Risk*

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

The Manager monitors the Fund's exposure to liquidity risk by ensuring that as required there is sufficient cash on hand to meet the contractual obligations of financial liabilities as they fall due.

**15. Financial Risk Management and Fair Value Measurement (continued)**

***(c) Liquidity Risk (continued)***

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting year. The amounts in the table are the contractual undiscounted cash flows.

| **30 June 2019** | **Less than 12 months** | **1-2 years** | **2-5 years** |
|---|---|---|---|
| | **$** | **$** | **$** |
| Trade and other payables | 696,779 | - | - |
| Interest bearing liabilities | 25,860,000 | - | - |
| **Contractual cash flows** | **26,556,779** | - | - |

| 30 June 2018 | Less than 12 months | 1-2 years | 2-5 years |
|---|---|---|---|
| | $ | $ | $ |
| Trade and other payables | 687,386 | - | - |
| Interest bearing liabilities | - | 24,860,000 | - |
| Contractual cash flows | 687,386 | 24,860,000 | - |

***(d) Fair Value Estimation***

The financial instruments carried at fair value can be valued using different levels of valuation methods. The different levels have been defined as follows:

- Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities. A market is regarded as active 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.

- Level 2

Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices). Valuation techniques are used to determine the value. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. All significant inputs required to fair value an instrument have to be observable.

- Level 3

Inputs for asset or liability that are not based on observable market data (unobservable inputs).

The Fund does not have financial instruments that qualify for Level 1 category.

Interest rate swaps are measured at Level 2 fair value category.

Investment properties are measured using Level 3 inputs. The latest valuation was based on a combination of discounted cash flow techniques and market capitalisation approach. Refer to note 10 for the carrying value of the investment property as at reporting date.

The directors consider that the carrying amount of derivatives and investment property recognised in the financial statements approximate their fair values at the end of the year.

## Notes to the Financial Statements

### 16. Cash and Cash Equivalents

*(a)* Cash and cash equivalents include cash on hand and cash at bank. Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

| | Year ended 30 June 2019 $ | Year ended 30 June 2018 $ |
|---|---|---|
| Cash at bank | 953,750 | 1,063,263 |
| | **953,750** | 1,063,263 |

*(b)* Reconciliation of total comprehensive income for the year to net cash flows provided by operating activities:

| | Year ended 30 June 2019 $ | Year ended 30 June 2018 $ |
|---|---|---|
| **Total comprehensive income** | **2,479,534** | 2,028,402 |
| Adjustments for: | | |
| Unrealised fair value gain/(loss) on investment property | (595,043) | 118,424 |
| Unrealised fair value (loss)/gain on financial instruments designated at fair value through profit or loss | 24,399 | (6,232) |
| Straight-line rental income | (168,696) | (17,758) |
| Leasing fees | (106,072) | (103,804) |
| Amortisation of leasing fees | 31,231 | 3,138 |
| **Changes in assets and liabilities:** | | |
| Net changes in other current assets | (17,383) | 20,479 |
| Net changes in trade and other payables | (2,628) | (602,893) |
| **Net cash provided by operating activities** | **1,645,342** | 1,439,756 |

### 17. Interest Bearing Liabilities

| | 30 June 2019 $ | 30 June 2018 $ |
|---|---|---|
| **Current liabilities** | | |
| Secured loan facility | 25,860,000 | - |
| **Non-current liabilities** | | |
| Secured loan facility | - | 24,860,000 |
| | **25,860,000** | 24,860,000 |

## Notes to the Financial Statements

### 17. Interest Bearing Liabilities (continued)

The loan facility will terminate on 12 August 2019. Discount and acceptance fees are payable on the amount outstanding under the facility at the base rate plus a margin, at the beginning of each discount year.

**Assets pledged as security**
The loan facility is secured by a registered first mortgage over the investment property, is interest only and non-recourse to investors.

All borrowings of the Fund are on a limited recourse basis. A lender's recourse is limited to the Fund and its assets and does not have recourse to investors and their personal assets.

**Loan facility covenants**
The covenants over the Fund's loan facility require an interest cover ratio of at least 2.0 times and a loan to market value of investment properties ratio ("LVR") of less than or equal to 60% until 12 August 2017 and 55% thereafter. The Fund was in compliance with its covenants throughout the financial year ended 30 June 2019.

### 18. Subsequent Events

On 12 August 2019, the term of the debt facility was extended to 16 September 2019 while the Manager finalised a new 2 year debt facility with another loan provider, ING Bank. The new facility will result in a significantly lower interest rate compared to the current facility. To support the refinancing, an independent valuation of the investment property was obtained dated 25 July 2019 which valued the Property at $47,800,000.

Other than the above, there has been no matter or circumstance occurring subsequent to the year ended 30 June 2019 that has significantly affected, or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

### 19. Commitments and Contingencies

At reporting period end, the Fund has a commitment to meet capital works expenditure of approximately $100,500 in relation to Level 2 of the Property. The commitment has been settled.

In addition to the above commitment for capital works expenditure, to comply with Government Legislation in Queensland, a fire engineer has been appointed to inspect the Fund's investment property at 601 Coronation Drive, Toowong (the "Property"), to assess the façade cladding to determine if flammable aluminium composite panels ("ACPs") are present.

The preliminary report indicates that there is the possibility that ACPs have been installed at the Property. A preliminary allowance to replace the ACPs of $430,000 has been established which will be funded by an ACP capital expenditure facility in the loan re-financing which may be drawn-on if required.

There were no other contingent assets and liabilities or commitments as at 30 June 2019.

### 20. Approval of Financial Reports

The financial reports were approved by the board of directors and authorised for issue on the date the Directors' Declaration was signed.

## Directors' Declaration

The directors of the Responsible Entity declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3(a) to the financial statements; and

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of the Fund.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to Section 303(5) of the Corporations Act 2001.

On behalf of the directors of the Responsible Entity, One Managed Investment Funds Limited.

Frank Tearle

Director

24 September 2019

**INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS OF 601 CORONATION DRIVE FUND**

***Opinion***

We have audited the financial report, being a general purpose financial report of 601 Coronation Drive Fund (the 'Fund'), which comprises the statement of financial position as at 30 June 2019, the statement of profit and loss and other comprehensive income, statement of changes in net assets attributable to unit holders and cash flow statement 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:

(a) the financial report of 601 Coronation Drive Fund is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of the Fund for the year ended 30 June 2019 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 3.

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

***Responsibilities of the directors for the financial report***

The directors of the responsible entity 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 the going concern basis of accounting unless the directors either intend to wind-up the Fund or to cease operations, or have no realistic alternative but to do so.

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**INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS OF 601 CORONATION DRIVE FUND**

***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 the 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/ar4.pdf This description forms part of our auditor's report.

Dated at Sydney on the 24th day of September 2019

ESV

**ESV Accounting and Business Advisors**

Tim Valtwies

**Tim Valtwies**
**Partner**