

**91 Phillip Street Fund**

**ARSN 604 881 656**

Annual report for the financial period from 20 March 2015 to 30 June 2016

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## 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 91 Phillip Street Fund (the "Fund"), submit herewith the financial report of the Fund for the period from 20 March 2015 to 30 June 2016. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### 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 of the Responsible Entity are:

Name	Title
Frank Tearle	Executive Director and Company Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-executive Director
Sarah Wiesener	Company Secretary (appointed 9 June 2016)

### Principal Activities

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

The Fund was constituted on 20 March 2015, registered as a managed investment scheme on 2 April 2015 and commenced operations on 15 September 2015.

The principal activity of the Fund from 15 September 2015 to 30 June 2016 was to manage an investment property to generate rental income. There are no comparatives.

The Fund did not have any employees during the period.

### Distributions

In respect of the financial period ended 30 June 2016, a final distribution of 1.9945 cents per unit was paid to unitholders on 25 July 2016.

For details of distributions paid and payable during the period, refer to note 12 of the financial statements.

### Value of Assets and Units Issued

The total value of the Fund's assets as at 30 June 2016 was \$34,638,667. The total number of units on issue as at 30 June 2016 was 16,391,300.

**Directors' Report (continued)****Review of Operations****Results**

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

	<b>Period ended 30 June 2016</b>
	<b>\$</b>
Rental and other property income	2,489,228
<b>Operating income</b>	<b>2,489,228</b>
Rental property expenses	(660,344)
Administration and other expenses	(284,411)
<b>Operating expenses</b>	<b>(944,755)</b>
<b>Earnings before interest and tax</b>	<b>1,544,473</b>
Interest income	43,274
Finance costs	(602,586)
<b>Net interest expense</b>	<b>(559,312)</b>
<b>Operating earnings attributable to unitholders</b>	<b>985,160</b>
<b>Non-operating items</b>	
Unrealised fair value gain on investment property	2,082,560
Transaction costs	(2,337,219)
Formation and borrowing expenses	(290,278)
<b>Total non-operating items</b>	<b>(544,937)</b>
<b>Net profit attributable to unitholders</b>	<b>440,223</b>

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 period.

***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 period are disclosed in note 13 of the financial statements.

The fees were paid out of the Fund's property during the period.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial period are disclosed in note 13 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 period.

***Subsequent Events***

There has been no matter or circumstance occurring subsequent to the period ended 30 June 2016 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.

## **Directors' Report (continued)**

### ***Future Developments***

The Fund will be managed in accordance with the Constitution. The realisation process will be managed in an orderly manner. Whilst the asset of the Fund is expected to be realised over several years, there is no certainty regarding the timing or value of the realisation and the completion of the wind up process.

### ***Environmental Regulation and Performance***

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 the financial period ended 30 June 2016, the Responsible Entity paid a premium in respect of a contract insuring the directors of OMIFL against a liability incurred as a director or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Responsible Entity has not otherwise, during or since the end of the financial period, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Responsible Entity or of any related body corporate against a liability of such an officer or auditor.

### ***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 One Managed Investment Funds Limited.



Frank Tearle

Director

9 September 2016



**AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF 91 PHILLIP STREET FUND**

In accordance with the requirements of section 307C of the Corporations Act, as auditor for 91 Phillip Street Fund for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- I. the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;  
and
- II. of any applicable code of professional conduct in relation to the audit.

Dated at Sydney the 8<sup>th</sup> day of September 2016

A handwritten signature in black ink that reads 'ESV'.

**ESV Accounting and Business Advisors**

A handwritten signature in black ink that reads 'Tim Valtwies'.

**Tim Valtwies**  
**Partner**

## Statement of Profit or Loss and Other Comprehensive Income for the period ended 30 June 2016

	Note	Period from 20 March 2015 to 30 June 2016 \$
<b>Revenue</b>		
Rental and other property income	4	2,489,228
Unrealised fair value gain on investment property	9	2,082,560
Interest income		43,274
<b>Total revenue</b>		<b>4,615,062</b>
<b>Expenses</b>		
Transaction costs		2,337,219
Finance costs	5	789,130
Administration fees	6	239,349
Audit fees	8	12,000
Professional fees		14,023
Insurance expense		19,040
Rental property expenses	7	660,344
Formation expenses		103,734
<b>Total expenses</b>		<b>4,174,839</b>
<b>Net income attributable to unitholders</b>		<b>440,223</b>
<b>Net income for the period</b>		<b>440,223</b>
<b>Other comprehensive income</b>		<b>-</b>
<b>Total comprehensive income attributable to unitholders</b>		<b>440,223</b>

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

## Statement of Financial Position as at 30 June 2016

	Notes	30 June 2016 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	15(a)	2,038,456
Prepayments		100,211
<b>Total current assets</b>		<b>2,138,667</b>
<b>Non-current assets</b>		
Investment property	9	32,500,000
<b>Total non-current assets</b>		<b>32,500,000</b>
<b>Total assets</b>		<b>34,638,667</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	10	633,872
<b>Total current liabilities</b>		<b>633,872</b>
<b>Non-current liabilities</b>		
Interest bearing liabilities	16	18,150,000
<b>Total non-current liabilities</b>		<b>18,150,000</b>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>18,783,872</b>
<b>Net assets attributable to unitholders</b>	11	<b>15,854,795</b>

*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 period ended 30 June 2016

	Note	Net assets attributable to unitholders of the Fund \$
Balance as at 20 March 2015		-
Units issued during the period		16,391,310
Total comprehensive income		400,223
Redemptions for the period		(10)
Distributions for the period		(976,728)
<b>Net assets attributable to unitholders at 30 June 2016</b>	<b>11</b>	<b>15,854,795</b>

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

## Statement of Cash Flows for the period ended 30 June 2016

	Period from 20 March 2015 to 30 June 2016 \$
<b>Cash flows from operating activities</b>	
Rent received	2,608,027
Lease incentive	193,277
Interest received	43,274
Finance costs paid	(807,664)
Payments to suppliers	(1,222,392)
Net cash provided by operating activities	15(b) <u>814,522</u>
<b>Cash flows from investing activities</b>	
Payments for the purchase of investment property	(30,000,000)
Payments of acquisition costs	(2,337,219)
Payment for capital improvements	(330,347)
Net cash used in investing activities	<u>(32,667,566)</u>
<b>Cash flows from financing activities</b>	
Proceeds from loans	20,150,000
Payment of loans	(2,000,000)
Proceeds from issuance of units	16,391,310
Redemption of units	(10)
Distributions paid to unitholders	(649,800)
Net cash provided by financing activities	<u>33,891,500</u>
Net increase in cash and cash equivalents	2,038,456
Cash and cash equivalents at the beginning of the period	<u>-</u>
<b>Cash and cash equivalents at the end of the period</b>	15(a) <u>2,038,456</u>

*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 91 Phillip Street Fund (ARSN 604 881 656) (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 Fund was constituted on 20 March 2015, registered as a managed investment scheme on 2 April 2015 and commenced operations and allotting units on 15 September 2015. The principal activity of the Fund is disclosed in the Directors' Report. The financial statements cover the period from 20 March 2015 to 30 June 2016. There are no comparatives.

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

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

The Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to their operations and are effective for the current financial reporting period ended 30 June 2016.

New and revised Standards and amendments thereof and Interpretations effective for the current period that are relevant to the Fund included:

- AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'
- AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'
- AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'

The adoption of the above Standards and Interpretations did not have a material impact on the Fund.

#### **Standards and Interpretations in issue not yet adopted**

Standards and Interpretations that are not expected to have a material impact on the Fund have not been included.

At the date of authorisation of the financial statements, the following Australian Accounting Standards and Interpretations were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2018	30 June 2019

## Notes to the Financial Statements

### 2. Adoption of New and Revised Accounting Standards and Interpretations (continued) *Standards and Interpretations in issue not yet adopted (continued)*

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017

The Fund has not yet assessed the potential impact and applicability of the above new Standards and Interpretations. 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 Standard Board and the Fund's Constitution and Corporations Act 2001 in Australia.

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 convention except for the investment property, which is measured at fair value and discussed in (n) below.

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

This general purpose financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

#### *(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 cost of the incentives are recognised over the lease term, on a straight-line basis, 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.

## Notes to the Financial Statements

### 3. Significant Accounting Policies (continued)

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

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 on 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.

#### *(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 an allowance (provision for impairment of trade receivables) for any uncollectible amounts.

An assessment of recoverability of trade and other receivables is performed by the Property Manager on an ongoing basis. The Property 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 allowance accounts are recognised in the Statement of Profit or Loss and Other Comprehensive Income, either as gain or loss. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

**Notes to the Financial Statements****3. Significant Accounting Policies (continued)****(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 period.

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**

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the Fund. Investment properties are 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 period 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.

**(m) 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 tax 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.

## Notes to the Financial Statements

## 3. Significant Accounting Policies (continued)

*(n) 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 PDS of the Fund, the investment property will be independently revalued at least every three years and valued by the Manager annually in the intervening years.

At the end of each reporting period, the directors of the Responsible Entity update their assessment of the fair value of each property, taking into account the most recent independent valuations. The key assumptions used in this determination are set out in the Investment Property note. 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.

## 4. Rental and Other Property Income

	Period from 20 March 2015 to 30 June 2016 \$
Rent received	2,160,783
Outgoings received	241,352
Straight-line rental income	87,093
<b>Balance for the period</b>	<b>2,489,228</b>

## 5. Finance Costs

	Period from 20 March 2015 to 30 June 2016 \$
Interest on borrowings	602,586
Establishment fee	72,025
Legal fees	33,351
Mortgage duty	81,168
<b>Balance for the period</b>	<b>789,130</b>

## Notes to the Financial Statements

## 6. Administration Expenses

	Period from 20 March 2015 to 30 June 2016 \$
Management fees	134,979
Responsible entity fees	52,250
Registry fees	15,852
Accounting and tax fees	20,843
Custody fees	13,866
ASIC and APIR Fees	1,559
<b>Balance for the period</b>	<b>239,349</b>

## 7. Rental Property Expenses

	Period from 20 March 2015 to 30 June 2016 \$
Property management fees	22,862
Energy fees	86,324
Cleaning	55,664
Land tax	90,600
Repairs and maintenance	82,117
Council rates	100,854
Water rates and charges	36,573
Fire and safety	14,204
Lift maintenance	27,811
Facilities management fee	31,140
Security fee	12,295
Parking space levy	68,825
Other property expenses	31,075
<b>Balance for the period</b>	<b>660,344</b>

## 8. Remuneration of Auditor's

The auditor of the Fund's financial statements is ESV Accounting and Business Advisors ("ESV"). The auditor of the Fund's compliance plan is PricewaterhouseCoopers ("PWC").

For the period ended 30 June 2016, audit fees of the financial statements were \$12,000 plus GST. At balance date \$8,500 plus GST is due to ESV.

## Notes to the Financial Statements

## 8. Remuneration of Auditor's (continued)

Audit of the Fund's compliance plan for the period ended 30 June 2016 is in progress and at balance date \$2,040 plus GST is due to PWC.

## 9. Investment Property

	30 June 2016 \$
Purchase price	30,000,000
Fair value gain on investment property	2,082,560
Capital improvements	330,347
Deferred lease asset	87,093
<b>Balance at end of period</b>	<b>32,500,000</b>

	30 June 2016 \$
Purchase price	30,000,000
Stamp duty	1,635,510
Acquisition costs	656,993
Legal fees	44,716
Acquisitions costs expensed	(2,337,219)
Unrealised fair value gain of investment property	2,082,560
Capital improvements	330,347
Deferred lease asset	87,093
<b>Balance at end of period</b>	<b>32,500,000</b>

The investment property was valued at \$32,500,000 by Cushman & Wakefield, a registered independent valuer on 27 July 2016 and effective as at 30 June 2016. As a result of the valuation, the Responsible Entity has recognised an increase in the value of the investment property of \$2,500,000. The valuation was based on active market and common valuation methodologies including capitalisation rate and discounted cash flow approaches. The active market was arrived at by references to recent market sales of similar properties around the area. The independent valuer has applied a passing capitalisation rate of 7.50% in assessing the valuation of the investment property.

## 10. Trade and Other Payables

	30 June 2016 \$
Distribution payable	326,928
Accrued charges	64,577
GST and WHT payable	46,342
Lease incentive	186,600
Income in advance	9,425
<b>Balance at end of period</b>	<b>633,872</b>

## Notes to the Financial Statements

## 11. Net Assets Attributable to Unitholders

## (a) Movements in Ordinary Units

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

	30 June 2016 No of Units	30 June 2016 \$
Opening balance as at 20 March 2015	-	-
Applications for units by unitholders	16,391,310	16,391,310
Redemptions of units by unitholders <sup>1</sup>	(10)	(10)
Distributions paid to unitholders	-	(976,728)
Total comprehensive income	-	440,223
<b>Closing balance</b>	<b>16,391,300</b>	<b>15,854,795</b>

<sup>1</sup>Redemption of initial units issued to Justin Epstein.

The Net Tangible Assets ("NTA") per Unit as at 30 June 2016 is \$0.9673.

## (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.

	30 June 2016 \$
Interest bearing liabilities	18,150,000
Total assets	34,638,667
<b>Gearing Ratio</b>	<b>52.4%</b>

## 12. Distributions Paid and Payable

Each unit represents a right to an individual share in the Fund per the Constitution. There are no separate classes of units and each unit has the same rights attaching to it as all other units in the Fund.

	30 June 2016 Cents per unit	30 June 2016 \$
Distributions paid during the period	3.9643	649,800
Distributions payable	1.9945	326,928
<b>Closing balance</b>	<b>5.9588</b>	<b>976,728</b>

## Notes to the Financial Statements

### 13. 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 responsible entity of the Fund is OMIFL.

The key management personnel of the Responsible Entity for the financial period ended 30 June 2016 are:

Name	Title
Frank Tearle	Executive Director and Company Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-executive Director
Sarah Wiesener	Company Secretary (appointed 9 June 2016)

Holding of units by the Responsible Entity key management personnel and their associated entities as at 30 June 2016 and interest held is as follows:

	30 June 2016		
	Unit class	Units held	% of the class
Frank Tearle	Ordinary	30,000	0.18%

No fees or remuneration was paid directly to the key management personnel from the Fund during the financial period ended 30 June 2016.

#### Responsible Entity fees

Responsible Entity fees of \$52,250 plus GST were incurred for the period ended 30 June 2016 of which \$11,000 plus GST was payable to OMIFL at the end of the period. Refer to note 6.

#### Registry fees

Registry fees of \$15,852 plus GST were incurred for the period ended 30 June 2016 of which \$1,800 plus GST was payable to One Registry Services Pty Limited at the end of the period. Refer to note 6.

Registry services were provided to the Fund by One Registry Services Pty Limited, which is a related body corporate of the Responsible Entity, for the period ended 30 June 2016.

#### Custody fees

Custody fees of \$13,866 plus GST were incurred for the period ended 30 June 2016 and of which \$2,500 plus GST was payable to One Managed Investment Funds Limited at the end of the period. Refer to note 6.

Custody services were provided to the Fund by One Managed Investment Funds Limited for the period ended 30 June 2016.

## Notes to the Financial Statements

### 13. Related Party Transactions (continued)

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

##### Accounting and administration fees

Accounting and administration fees of \$20,843 plus GST were incurred and of which \$8,333 plus GST was payable to Unity Fund Services Pty Limited at the end of the period. Refer to note 6.

During the course of the financial period ended 30 June 2016, Unity Fund Services Pty Limited ("UFS") provided fund administration and taxation to the Fund. UFS shared a common director, Justin Epstein with the Responsible Entity. On 1 July 2015, Justin Epstein resigned as a director of UFS.

In addition to the ongoing management fees, a one-off establishment fee of \$25,000 plus GST was paid to OMIFL in accordance with the Fund's Constitution.

There were no other fees paid / payable to the Responsible Entity for the financial period ended 30 June 2016.

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 period.

#### b) Transactions with Manager and its Associated Entities

Capital Property Funds Pty Limited, the Manager of the Fund, provided investment management services to the Fund for the period ended 30 June 2016.

The key management personnel of the Manager for the financial period ended 30 June 2016 are:

Name	Title
Julia Novella	Head of Funds Management
Andrew Kerr	Executive Director
Joe Christie	Executive Director
John Coombs	Financial Controller & Company Secretary

Holding of units by the Manager, key management personnel and their associated entities as at 30 June 2016 and interest held is as follows:

	30 June 2016		
	Unit class	Units held	% of the class
Andrew Kerr	Ordinary	20,000	0.12%
Joe Christie	Ordinary	20,000	0.12%
		<b>40,000</b>	<b>0.24%</b>

No fees or remuneration was paid directly to the key management personnel from the Fund during the period.

##### Investment management fees

Investment management fees of \$134,979 plus GST were incurred for the financial period ended 30 June 2016, of which \$14,208 plus GST was payable to the Manager. Refer to note 6.

In addition to the ongoing investment management fees, a one-off acquisition fee of \$600,000 plus GST was paid to the Manager on completion of the acquisition of the Property in accordance with the Fund's PDS.

There were no other fees paid / payable to the Manager for the financial period ended 30 June 2016.

## Notes to the Financial Statements

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

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

**14. Financial Risk Management and Fair Value Measurement**

The most important types of financial risk to which the Fund is exposed to 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 are 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.

*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'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 2016 \$
<b>Financial assets</b>	
Cash and cash equivalents – floating interest rate	2,038,456
<b>Financial liabilities</b>	
Interest bearing liabilities – floating interest rate	18,150,000
<b>Net exposure to interest rate risk</b>	<b>16,111,544</b>

**(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 balance sheet. 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 2016 \$
Cash at bank	2,038,456
<b>Maximum exposure to credit risk</b>	<b>2,038,456</b>

## Notes to the Financial Statements

**14. Financial Risk Management and Fair Value Measurement (continued)****(b) Credit Risk (continued)**

The Fund manages credit risk and the losses which could arise from default by ensuring that parties to contractual arrangements are of 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 held by the Fund are assessed for creditworthiness before commencing a lease, and if necessary rental guarantees are sought before a tenancy is approved. Loans and receivables from third parties are secured against investment property and corporate and personal guarantees. 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 Responsible Entity. 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 period 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 Fund monitors its 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. The Responsible Entity sets budgets to monitor cash flows.

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

<b>30 June 2016</b>	<b>Less than 12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade and other payables	447,272	186,600	-
Interest bearing liabilities	-	-	18,150,000
<b>Contractual cash flows</b>	<b>447,272</b>	<b>186,600</b>	<b>18,150,000</b>

**(d) Fair Value Estimation**

The carrying amounts of the Fund's assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in profit or loss.

## Notes to the Financial Statements

## 15. Cash and Cash Equivalents

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

	30 June 2016 \$
Cash at bank	2,038,456
<b>Balance at end of period</b>	<b>2,038,456</b>

- (b) Reconciliation of total comprehensive income for the period to net cash flows provided by / (used in) operating activities:

	30 June 2016 \$
<b>Total comprehensive profit</b>	<b>440,223</b>
Adjustments for:	
Transaction costs expensed	2,337,219
Fair value adjustment of investment property	(2,082,560)
Deferred lease asset	(87,093)
<b>Changes in assets and liabilities:</b>	
Decrease/(increase) in other assets	(100,211)
(Decrease)/increase in trade and other payables	306,944
<b>Net cash used in operating activities</b>	<b>814,522</b>

All amounts are presented in Australian dollars.

## 16. Interest Bearing Liabilities

	30 June 2016 \$
Secured loan facility	18,150,000
<b>Balance at end of period</b>	<b>18,150,000</b>

*Secured loan facility*

Interest is payable on amount outstanding under the facility at the base rate plus margin, payable every three months.

**Assets pledged as security**

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

## Notes to the Financial Statements

### 16. Interest Bearing Liabilities (continued)

All borrowings of the Fund will be on a limited recourse basis. A lender's recourse will be limited to the Fund and its assets and will not have recourse to Investors and their personal assets.

#### Loan facility covenants

The covenants over its loan facility require an interest cover ratio of 1.85 times and a loan to market value of investment properties ratio ("LVR") of less than 65%. The Fund was in compliance with its covenants throughout the financial period ended 30 June 2016.

### 17. Subsequent Events

There has been no matter or circumstance occurring subsequent to the period ended 30 June 2016 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.

### 18. Commitments and Contingencies

The Fund is part way through a capital works project that commenced in April 2016 to convert 15 car park spaces on the ground floor fronting Smith Street to retail/office accommodation. This work is expected to be completed by the end of August 2016. The total cost of the project is estimated at \$550,000.

As part of the Level 4 lease negotiations the Fund will contribute to the lessee's fitout contribution and undertake lessor works to the tenancy and common area. The total cost of this work is estimated at \$570,000.

Other than disclosed above, there were no other contingent assets and liabilities or commitments as at 30 June 2016.

### 19. 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.

Notes to the Financial Statements

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 One Managed Investment Funds Limited.



Frank Tearle

Director

9 September 2016



## INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS OF 91 PHILLIP STREET FUND

### *Report on the Financial Report*

We have audited the accompanying financial report of 91 Phillip Street Fund (“the Fund”), which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of net assets attributable to unitholders, statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors’ declaration.

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

The directors of One Managed Investment Funds Limited (“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 Note 3, the directors also state, in accordance with Australian Accounting Standards the financial statements comply with International Financial Reporting Standards.

### *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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 of the financial report that gives a true and fair view 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.

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



**INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS OF g1 PHILLIP STREET FUND**

*Opinion*

In our opinion:

- a) the financial report of g1 Phillip Street Fund is in accordance with the *Corporations Act 2001*, including:
  - I. giving a true and fair view of its financial position for the period ended 30 June 2016 and of its performance for the period ended on that date;
  - II. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) The financial report also complies with *International Financial Reporting Standards* as disclosed in Note 3.

Dated at Sydney the 9<sup>th</sup> day of September 2016

ESV

**ESV Accounting and Business Advisors**

**Tim Valtwies**  
**Partner**