

**91 Phillip Street Fund**

**ARSN 604 881 656**

Annual report for the financial year ended 30 June 2018

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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 ARSN 604 881 656 (the "Fund"), submit herewith the financial report of the Fund for the year ended 30 June 2018.

**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 as follows:

<b>Name</b>	<b>Title</b>
Frank Tearle	Executive Director and Company Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-executive Director
Sarah Wiesener	Company Secretary

**Principal Activities**

The Fund is an unlisted registered managed investment scheme, incorporated 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 2018, a final distribution of 1.99452 cents per unit was paid to unitholders on 26 July 2018 (2017: 1.99452 cents per unit).

For details of distributions paid and payable during the year, 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 2018 was \$48,248,791 (2017: \$41,014,704). The total number of units on issue as at 30 June 2018 was 16,391,300 (2017: 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 year, was as follows:

	Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
Rental and other property income	3,473,284	3,347,835
<b>Operating income</b>	<b>3,473,284</b>	<b>3,347,835</b>
Rental property expenses	(945,072)	(924,190)
Administration and other expenses	(398,966)	(347,205)
<b>Operating expenses</b>	<b>(1,344,038)</b>	<b>(1,271,395)</b>
<b>Earnings before interest and tax</b>	<b>2,129,246</b>	<b>2,076,440</b>
Interest income	21,924	28,421
Finance costs	(718,202)	(718,683)
<b>Net interest expense</b>	<b>(696,278)</b>	<b>(690,262)</b>
<b>Operating earnings attributable to unitholders</b>	<b>1,432,968</b>	<b>1,386,178</b>
<b>Non-operating items</b>		
Unrealised fair value gain on investment property	7,600,583	5,908,856
Disposal costs	(2,956,511)	-
<b>Total non-operating items</b>	<b>4,644,072</b>	<b>5,908,856</b>
<b>Net profit attributable to unitholders</b>	<b>6,077,040</b>	<b>7,295,034</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 year.

***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 13 of the financial statements.

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

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

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

During the financial year, the Fund's investment manager received numerous unsolicited approaches to acquire 91 Phillip Street, Parramatta off-market. As a result, the Manager recommended that it was in the best interests of the Fund's unitholders for the Responsible Entity to undertake an expression of interest campaign ("EOI") to achieve an optimal sale outcome. Therefore, on 26 June 2018 the Responsible Entity executed a sales agency agreement to commence the EOI process.

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*

The EOI has closed and the Manager is in the final stages of negotiating with an interested party. If an agreement with the interested party is reached, the sale of the property will proceed and once finalised, the Fund will be terminated in accordance with the Constitution and the Product Disclosure Statement and all surplus funds will be returned to investors.

In September 2018, the existing debt provider to the Fund advanced an additional drawdown of \$800,000 under the Tranche B loan in accordance with the Loan Facility Agreement for the purpose of funding capital expenditure for tenants fit out incentives.

### *Likely Developments*

The Fund will continue to be managed in accordance with the Constitution and investment objectives as detailed in the Product Disclosure Statement. The realisation process will be managed in an orderly manner. Whilst the asset of the Fund is expected to be realised over next few months, there is no certainty regarding the timing or value of the realisation and the completion of the sale 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 year ended 30 June 2018, the Responsible Entity paid a premium in respect of a contract insuring the directors of OMIFL against a liability incurred as directors or executive officers 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 year, 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 the Responsible Entity, One Managed Investment Funds Limited.



Frank Tearle

Director

24 September 2018



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

As auditor for the audit of 91 Phillip Street Fund for year ended 30 June 2018, 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 21<sup>st</sup> day of September 2018

A stylized signature of the firm, consisting of the letters 'ESV' followed by a checkmark-like flourish.

**ESV Accounting and Business Advisors**

A handwritten signature in cursive script, reading 'Tim Valtwies'.

**Tim Valtwies**  
**Partner**

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	Note	Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
<b>Revenue</b>			
Rental and other property income	4	3,473,284	3,347,835
Unrealised fair value gain on investment property	8	7,600,583	5,908,856
Interest income		21,924	28,421
<b>Total revenue</b>		<b>11,095,791</b>	<b>9,285,112</b>
<b>Expenses</b>			
Finance costs		718,202	718,683
Administration fees	5	344,030	304,529
Audit fees	7	17,153	16,563
Professional fees		16,215	5,443
Insurance expense		21,568	20,670
Rental property expenses	6	945,072	924,190
Disposal costs	9	2,956,511	-
<b>Total expenses</b>		<b>5,018,751</b>	<b>1,990,078</b>
<b>Net income attributable to unitholders</b>		<b>6,077,040</b>	<b>7,295,034</b>
<b>Net income for the year</b>		<b>6,077,040</b>	<b>7,295,034</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income attributable to unitholders</b>		<b>6,077,040</b>	<b>7,295,034</b>

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

## Statement of Financial Position as at 30 June 2018

	Notes	30 June 2018 \$	30 June 2017 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	15(a)	1,129,884	1,619,305
Trade receivables		32,457	-
Prepayments		86,450	95,399
Asset held for sale	8	47,000,000	-
<b>Total current assets</b>		<b>48,248,791</b>	<b>1,714,704</b>
<b>Non-current assets</b>			
Investment property	8	-	39,300,000
<b>Total non-current assets</b>		<b>-</b>	<b>39,300,000</b>
<b>Total assets</b>		<b>48,248,791</b>	<b>41,014,704</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	538,021	1,026,180
Liabilities associated with asset held for sale	9	2,956,511	-
Interest bearing liabilities	16	18,150,000	-
<b>Total current liabilities</b>		<b>21,644,532</b>	<b>1,026,180</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	16	-	18,150,000
<b>Total non-current liabilities</b>		<b>-</b>	<b>18,150,000</b>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>21,644,532</b>	<b>19,176,180</b>
<b>Net assets attributable to unitholders</b>	11	<b>26,604,259</b>	<b>21,838,524</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 year ended 30 June 2018

	Note	30 June 2018 \$	30 June 2017 \$
Opening balance		21,838,524	15,854,795
Total comprehensive income		6,077,040	7,295,034
Distributions for the year	12	(1,311,305)	(1,311,305)
<b>Net assets attributable to unitholders</b>	<b>11</b>	<b>26,604,259</b>	<b>21,838,524</b>

*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 2018

	Note	Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
<b>Cash flows from operating activities</b>			
Rent received		3,902,958	3,565,122
Lease incentive		(483,868)	-
Interest received		21,924	28,421
Finance costs paid (net of withholding tax)		(646,382)	(646,815)
Payments to suppliers		(1,757,180)	(1,627,476)
Net cash provided by operating activities	15(b)	<u>1,037,452</u>	<u>1,319,252</u>
<b>Cash flows from investing activities</b>			
Payments for capital improvements		(215,568)	(427,098)
Net cash used in investing activities		<u>(215,568)</u>	<u>(427,098)</u>
<b>Cash flows from financing activities</b>			
Distributions paid to unitholders		(1,311,305)	(1,311,305)
Net cash used by financing activities		<u>(1,311,305)</u>	<u>(1,311,305)</u>
Net decrease in cash and cash equivalents		(489,421)	(419,151)
Cash and cash equivalents at the beginning of the year		<u>1,619,305</u>	<u>2,038,456</u>
<b>Cash and cash equivalents at the end of the year</b>	15(a)	<u>1,129,884</u>	<u>1,619,305</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 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 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

There were no new accounting standards adopted during the year which had a significant impact on the reported position and performance of 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 years 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’	1 January 2018	30 June 2019
AASB 2014-5 ‘Amendments to Australian Accounting Standards arising from AASB 15’	1 January 2018	30 June 2019
AASB 2016-3 ‘Amendments to Australian Accounting Standards -Clarification to AASB 15’	1 January 2018	30 June 2019
AASB 2016-8 ‘Amendments to Australian Accounting Standards – Effective Date of AASB 15’	1 January 2018	30 June 2019
AASB 16 ‘Leases’	1 January 2018	30 June 2019

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 years and on foreseeable future transactions.

## Notes to the Financial Statements

### 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") and 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 as disclosed in note 3(l) 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 costs 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.

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.

**Notes to the Financial Statements****3. Significant Accounting Policies (continued)*****(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 the operating income presented in the Director's 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 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 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 year, it is written off against the 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.

## Notes to the Financial Statements

### 3. Significant Accounting Policies (continued)

#### (l) Investment Property

The investment property principally comprises 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.

#### (m) Assets and Liabilities Classified as Held for Sale

A non-current asset is to be classified as held for sale if a sale within twelve (12) months is highly probable, and presented separately in the Statement of Financial Position.

For a sale to be highly probable, management must be committed to a plan to sell the property and have an active programme to locate a buyer to complete the plan. The property must be actively marketed at a price that is reasonable in relation to its current fair value.

Upon classification as held for sale, assets are recognised at the lower of carrying amount and fair value less costs to sell with the exception of investment properties which are valued in accordance with note 3(l).

Liabilities are classified as 'held for sale and presented as such in the Statement of Financial Position if they are directly associated with the disposal of the property.

#### (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.

## Notes to the Financial Statements

## 3. Significant Accounting Policies (continued)

*(n) Goods and Services Tax*

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 and valued by the Manager annually in the intervening years.

At the end of each reporting year, the directors of the Responsible Entity update their assessment of the fair value of each property, taking into account the most recent independent valuation. The key assumptions used in this determination are set out in note 8. 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

	Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
Rent received	2,955,287	2,796,373
Outgoings received	535,500	424,979
Straight-line rental income	(17,503)	126,483
	<b>3,473,284</b>	<b>3,347,835</b>

## 5. Administration Expenses

	Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
Management fees	219,979	179,186
Responsible entity fees	68,176	66,594
Registry fees	13,239	12,499
Accounting and tax fees	25,500	29,500
Custody fees	15,533	15,135
ASIC and APIR fees	1,603	1,615
	<b>344,030</b>	<b>304,529</b>

**Notes to the Financial Statements**
**6. Rental Property Expenses**

	Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
Property management fees	29,001	29,001
Energy fees	137,740	112,345
Cleaning	75,738	69,405
Land tax	136,269	122,446
Repairs and maintenance	204,179	194,526
Council rates	116,491	126,748
Water rates and charges	20,932	24,265
Fire and safety	17,310	19,260
Lift maintenance	40,065	36,237
Facilities management fee	39,500	39,500
Security fee	10,751	14,437
Parking space levy	76,423	75,524
Other property expenses	40,673	60,496
	<b>945,072</b>	<b>924, 190</b>

**7. 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 2018 \$	Year ended 30 June 2017 \$
Audit services - ESV Accounting and Business Advisors	12,713	12,423
Other assurance services – EY, compliance plan and other unrelated firms	5,700	4,140
	<b>18,413</b>	<b>16,563</b>



## Notes to the Financial Statements

## 8. Investment Property

	30 June 2018 \$	30 June 2017 \$
Opening balance	39,300,000	32,500,000
Unrealised fair value gain on investment property	7,600,583	5,908,856
Capital improvements	215,568	427,098
Fitout incentives	(98,648)	337,563
Deferred lease asset	(17,503)	126,483
Reclassification to asset held for sale	(47,000,000)	-
<b>Closing balance</b>	<b>-</b>	<b>39,300,000</b>
<b>Asset Held for Sale</b>	<b>30 June 2018 \$</b>	<b>30 June 2017 \$</b>
<b>Asset held for sale</b>	<b>47,000,000</b>	<b>-</b>

The investment property was valued at \$47,000,000 by Cushman & Wakefield, a registered independent valuer. The date of the valuation is 30 June 2018. As a result of the valuation, the Responsible Entity has recognised an increase in the value of the investment property of \$7,700,000. As at 30 June 2018, the fair value gain has been adjusted for the deferred lease asset, lease incentives and capital improvement expenses. 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 6.25% in assessing the valuation of the investment property.

During the year, management decided to commence an EOI campaign for the investment property, hence the classification of the property is held for sale.

## 9. Liabilities Associated with Asset Held for Sale

In view of the probable sale of the investment property, expected costs arising from its disposal are as follows

	30 June 2018 \$	30 June 2017 \$
Disposal fee	470,000	-
Performance fee	1,871,136	-
Commission	470,000	-
Debt break fee	45,375	-
Other transaction costs	100,000	-
	<b>2,956,511</b>	<b>-</b>

**Notes to the Financial Statements**
**10. Trade and Other Payables**

	<b>30 June 2018</b>	30 June 2017
	<b>\$</b>	<b>\$</b>
Distribution payable	326,928	326,928
Accrued charges	77,626	67,344
GST and WHT payable	32,697	78,295
Lease incentive	100,770	540,650
Income in advance	-	12,963
	<b>538,021</b>	<b>1,026,180</b>

**11. Net Assets Attributable to Unitholders**
**(a) Movements in Ordinary Units**

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

	<b>30 June 2018</b>		<b>30 June 2017</b>	
	<b>No of Units</b>	<b>\$</b>	No of Units	<b>\$</b>
Opening balance	16,391,300	21,838,524	16,391,300	15,854,795
Distributions paid to unitholders		(1,311,305)	-	(1,311,305)
Total comprehensive income	-	6,077,040	-	7,295,034
<b>Closing balance</b>	<b>16,391,300</b>	<b>26,604,259</b>	<b>16,391,300</b>	<b>21,838,524</b>

The Net Tangible Assets per Unit as at 30 June 2018 is \$1.6231 (2017: \$1.3323).

**(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**

	<b>30 June 2018</b>	30 June 2017
	<b>\$</b>	<b>\$</b>
Interest bearing liabilities	18,150,000	18,150,000
Total assets	48,248,791	41,014,704
<b>Gearing Ratio</b>	<b>37.6%</b>	<b>44.3%</b>

## Notes to the Financial Statements

## 12. Distributions Paid and Payable

Each unit represents a right to an individual share in the Fund in accordance with 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 2018		30 June 2017	
	Cents per unit	\$	Cents per unit	\$
Distribution paid during the period	6.0055	984,377	6.0055	984,377
Distributions payable	1.9945	326,928	1.9945	326,928
<b>Closing balance</b>	<b>8.0000</b>	<b>1,311,305</b>	<b>8.0000</b>	<b>1,311,305</b>

## 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 key management personnel of the Responsible Entity for the financial year ended 30 June 2018 are:

Name	Title
Frank Tearle	Executive Director and Company Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-executive Director
Sarah Wiesener	Company Secretary

The units held by the Responsible Entity's key management personnel and their associated entities as at 30 June 2018 and 30 June 2017 are as follows:

	30 June 2018		
	Unit class	Units held	% of the class
Frank Tearle	Ordinary	30,000	0.18%
	30 June 2017		
	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 year ended 30 June 2018 (2017: \$nil).

*Responsible Entity fees*

Responsible Entity fees of \$68,176 plus GST were incurred for the year ended 30 June 2018 (2017: \$66,594) of which \$5,672 plus GST (2017: \$5,550) was payable to One Managed Investment Funds Limited at the end of the year. Refer to note 5.

## Notes to the Financial Statements

## 13. Related Party Transactions (continued)

*(a) Transactions with Responsible Entity and its Associated Entities (continued)**Registry fees*

Registry fees of \$13,239 plus GST were incurred for the year ended 30 June 2018 (2017: \$12,499) of which \$1,858 plus GST (2017: \$1,832) 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 \$15,533 plus GST were incurred for the year ended 30 June 2018 (2017: \$15,135) of which \$1,289 plus GST (2017: \$1,261) 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 \$22,000 plus GST were incurred for the year ended 30 June 2018 (2017: \$26,000) of which \$7,833 plus GST (2017: \$7,833) was payable to Unity Fund Services Pty Limited, an associated entity of the Responsible Entity, at the end of the year.

There were no other fees paid / payable to the Responsible Entity for the financial year ended 30 June 2018.

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.

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

The key management personnel of the Manager for the financial year ended 30 June 2018 are:

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

The units held by the Manager's key management personnel and their associated entities as at 30 June 2018 and 30 June 2017 are as follows:

## 30 June 2018

	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>

## 30 June 2017

	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>

## Notes to the Financial Statements

## 13. Related Party Transactions (continued)

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

No fees or remuneration was paid directly to the key management personnel from the Fund during the financial year ended 30 June 2018 (2017: \$nil).

*Investment management fees*

Investment management fees of \$219,979 plus GST were incurred for the financial year ended 30 June 2018 (2017: \$179,186), of which \$21,542 plus GST (2017: \$14,896) 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 2018.

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.

## 14. 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 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'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 2018 \$	30 June 2017 \$
<b>Financial assets</b>		
Cash and cash equivalents – floating interest rate	1,129,884	1,619,305
<b>Financial liabilities</b>		
Interest bearing liabilities – floating interest rate	(18,150,000)	(18,150,000)
<b>Net exposure to interest rate risk</b>	<b>(17,020,116)</b>	<b>(16,530,695)</b>

## Notes to the Financial Statements

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

## (a) Market Risk (continued)

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

	30 June 2018	30 June 2017
	\$	\$
	<u>Decrease/(increase)</u>	<u>Decrease/(increase)</u>
Market interest rate increased by 100 basis points	170,201	165,307
Market interest rate decreased by 100 basis points	(170,201)	(165,307)

## (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 2018	30 June 2017
	\$	\$
Cash at bank	<u>1,129,884</u>	<u>1,619,305</u>
<b>Maximum exposure to credit risk</b>	<b><u>1,129,884</u></b>	<b><u>1,619,305</u></b>

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. Loans and receivables from third parties are secured against the investment property. 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.

## Notes to the Financial Statements

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

*(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.

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

30 June 2018	Less than 12 months	1-2 years	2-5 years
	\$	\$	\$
Trade and other payables	538,021	-	-
Liabilities associated with asset for sale	2,956,511	-	-
Interest bearing liabilities	18,150,000	-	-
<b>Contractual cash flows</b>	<b>21,644,532</b>	<b>-</b>	<b>-</b>
30 June 2017	Less than 12 months	1-2 years	2-5 years
	\$	\$	\$
Trade and other payables	1,026,180	-	-
Interest bearing liabilities	-	-	18,150,000
<b>Contractual cash flows</b>	<b>1,026,180</b>	<b>-</b>	<b>18,150,000</b>

*(d) Fair Value Estimation*

The financial instruments carried at fair value can be valued using different levels of measurement. 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 assets or liabilities that qualify for Level 1 and Level 2 category.

Investment properties are measured using Level 3 inputs. The latest valuation was based on combination of discounted cash flow techniques and market capitalisation approach. Refer to Note 8 for the carrying value of the investment property as at reporting date.

The directors consider that the carrying amount of investment properties recognised in the financial statements approximate their fair values.

## 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 year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	30 June 2018 \$	30 June 2017 \$
Cash at bank	1,129,884	1,619,305
	<b>1,129,884</b>	<b>1,619,305</b>

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

	Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
<b>Total comprehensive income</b>	<b>6,077,040</b>	7,295,034
Adjustments for:		
Unrealised fair value adjustment of investment property	(7,600,583)	(5,908,856)
Amortisation of fitout incentives	17,503	16,487
Straight-line rental income	98,648	(126,483)
<b>Changes in assets and liabilities:</b>		
Decrease/(increase) in other assets	(23,508)	4,812
Increase in trade and other payables	2,468,352	38,258
<b>Net cash provided by operating activities</b>	<b>1,037,452</b>	1,319,252



## Notes to the Financial Statements

## 16. Interest Bearing Liabilities

	30 June 2018 \$	30 June 2017 \$
<b>Current</b>		
Secured loan facility	18,150,000	-
<b>Non-current</b>		
Secured loan facility	-	18,150,000

*Secured loan facility*

Interest is payable on the 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, 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 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 year ended 30 June 2018.

In relation to the probable sale of investment property and subject to the terms of the loan agreement, the borrower may prepay all or part of the principal outstanding, hence the classification from non-current to current liability.

## 17. Subsequent Events

The EOI has closed and the Manager is in the final stages of negotiating with an interested party. If an agreement with the interested party is reached, the sale of the property will proceed and once finalised, the Fund will be terminated in accordance with the Constitution and the Product Disclosure Statement and all surplus funds will be returned to investors.

In September 2018, the existing debt provider to the Fund advanced an additional drawdown of \$800,000 under the Tranche B loan in accordance with the Loan Facility Agreement for the purpose of funding capital expenditure for tenants fit out incentives.

## 18. Commitments and Contingencies

There were no other contingent assets and liabilities or commitments as at 30 June 2018.

## 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.

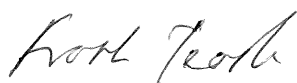
## Directors' Declaration

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

21 September 2018



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

### **Opinion**

We have audited the financial report, being a general purpose financial report of 91 Phillip Street Fund (the 'Fund'), which comprises the statement of financial position as at 30 June 2018, the statement of 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 91 Phillip Street 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 2018 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.



INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS OF 91 PHILLIP STREET 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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf) This description forms part of our auditor's report.

Dated at Sydney on the 21<sup>st</sup> day of September 2018

ESV

ESV Accounting and Business Advisors

Tim Valtwies  
Partner